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HOUSE OF COMMONS

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4 STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman—H. B. McCULLOCH, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 4

BILL 442

An Act respecting the construction of lines of railway by Canadian National Railway Company from St. Felicien to Chibougamau and from Chibougamau to Beattyville, all in the Province of Quebec, and from Hillsport on the main line of the Canadian National Railways to Manitouwadge Lake, both in the Province of Ontario.

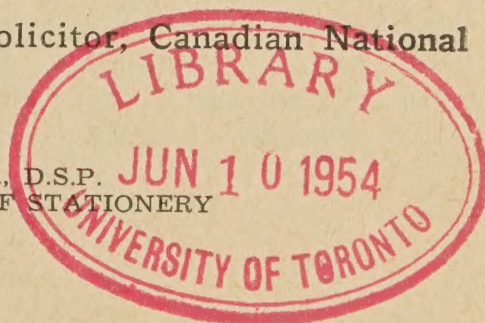
FRIDAY, MAY 21, 1954

WITNESSES:

Mr. S. W. Fairweather, Vice-president of Research and Development,
Canadian National Railways.

Mr. A. B. Rosevear, Q.C., Assistant General Solicitor, Canadian National
Railways.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1954.



ORDERS OF REFERENCE

WEDNESDAY, May 12, 1954.

Ordered. That the name of Mr. Dumas be substituted for that of Mr. Legare; and

That the name of Mr. Gauthier (*Lac Saint-Jean*) be substituted for that of Mr. Cauchon on the said Committee.

WEDNESDAY, May 19, 1954.

Ordered, That the following Bill be referred to the said Committee:

Bill No. 442, An Act respecting the construction of lines of railway by Canadian National Railway Company from St. Felicien to Chibougamau and from Chibougamau to Beattyville, all in the Province of Quebec, and from Hillsport on the main line of the Canadian National Railways to Manitouwadge Lake, both in the Province of Ontario.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

MONDAY, May 24, 1954.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

SEVENTH REPORT

Your Committee has considered Bill No. 442, An Act respecting the construction of lines of railway by Canadian National Railway Company from St. Felicien to Chibougamau and from Chibougamau to Beattyville, all in the Province of Quebec, and from Hillsport on the main line of the Canadian National Railways to Manitouwadge Lake, both in the Province of Ontario, and has agreed to report the said Bill with amendments.

A copy of the evidence adduced is appended.

All of which is respectfully submitted.

H. B. McCULLOCH,
Chairman.



MINUTES OF PROCEEDINGS

FRIDAY, May 21, 1954.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 o'clock a.m. this day. Mr. H. B. McCulloch, Chairman, presided.

Members present: Messrs. Barnett, Batten, Bell, Bonnier, Boucher (*Restigouche-Madawaska*), Buchanan, Byrne, Carter, Chevrier, Deschatelets, Dumas, Ellis, Gagnon, Gauthier (*Lac St. Jean*), Goode, Gourd (*Chapleau*), Green, Habel, Hahn, Hamilton, Holowach, James, Lafontaine, Langlois (*Gaspe*), McIvor, Montgomery, Nicholson, Purdy, Stanton, Villeneuve and Wood.

In attendance: Mr. S. W. Fairweather, Vice-President, Mr. K. M. Ralston, Mining Engineer, and Mr. G. H. Hoganson, Office Engineer, all of Research and Development, Canadian National Railways; Mr. A. B. Rosevear, Q.C., Assistant General Solicitor, Canadian National Railways, and Mr. W. J. Matthews, Director of Administration and Legal Services, Transport Department.

The Committee commenced consideration of Bill No. 442, An Act respecting the construction of lines of railway by Canadian National Railway Company from St. Felicien to Chibougamau and from Chibougamau to Beattyville, all in the Province of Quebec, and from Hillsport on the main line of the Canadian National Railways to Manitouwadge Lake, both in the Province of Ontario.

On Motion of Mr. Bryne:

Ordered, That the Committee print 500 copies in English and 500 in French of the Minutes of Proceedings and the Evidence adduced in respect of Bill No. 442.

Mr. Fairweather was called, made a statement on the project contemplated in the Bill and was examined thereon.

During the course of the examination of Mr. Fairweather, Mr. Rosevear answered questions specifically referred to him.

The Committee commenced a clause by clause consideration of Bill No. 442.

On Clause 1,

Mr. Gagnon moved,

That Clause 1 of Bill No. 442 be amended by changing the period at the end of the said Clause to a comma and adding thereafter the words:

Provided, however, that the construction of Sections A and B of Branch Line No. 1 shall be undertaken at the same time.

At 1.05 o'clock p.m., discussion on the said amendment still continuing, the Committee adjourned to meet again at 3.00 o'clock p.m. this day.

AFTERNOON SITTING

FRIDAY, May 21, 1954.

The Committee resumed at 3.00 o'clock p.m. Mr. H. B. McCulloch, Chairman, presided.

Members present: Messrs. Barnett, Bell, Bonnier, Boucher (*Restigouche-Madawaska*), Byrne, Campbell, Carter, Chevrier, Deschatelets, Dumas, Ellis, Gagnon, Gauthier (*Lac St. Jean*), Gourd (*Chapleau*), Green, Habel, Hahn, Hamilton, Holowach, James, Lafontaine, Langlois (*Gaspe*), McIvor, Montgomery, Nicholson, Purdy, Villeneuve and Wood.

In attendance: Same as at the morning sitting.

The examination of Mr. Fairweather was resumed.

Clause 1 and the proposed amendment thereto by Mr. Gagnon were called.

Thereupon Mr. Chevrier, on a point of order, raised the question as to whether the said amendment was in order.

After a lengthy discussion, the Chairman ruled the said amendment out of order.

Thereupon Mr. Gauthier (*Lac St. Jean*) moved,

That Clause 1 of Bill No. 442 be amended by deleting the words "or in part" where they appear in line 2 of the said Clause.

After discussion, and the question having been put, the said amendment was resolved in the negative.

Thereupon Mr. Nicholson moved,

That Clause 1 of Bill No. 442 be amended by deleting the words "or such later date as the Governor in Council may fix" where they appear in lines 4 and 5 of the said Clause.

After discussion, and the question having been put, the said amendment was resolved in the negative.

Clause 1 was adopted.

Clauses 2 and 3 were considered and adopted.

On Clause 4,

Mr. Green moved,

That the words forty-four million five hundred and sixty-two thousand five hundred dollars where they appear in lines 10 and 11 of the said Clause be deleted and the following substituted therefor: *thirty-eight million seven hundred and fifty thousand dollars.*

After discussion, and the question having been put, the said amendment was resolved in the affirmative.

Clause 4 as amended was considered and adopted.

On Clause 5,

Mr. Green moved,

That the words forty-four million five hundred and sixty-two thousand five hundred dollars where they appear in lines 7 and 8 of the said Clause be deleted and the following substituted therefor: *thirty-eight million seven hundred and fifty thousand dollars.*

After discussion, and the question having been put, the said amendment was resolved in the affirmative.

Clause 5 as amended was considered and adopted.

Clauses 6, 7, 8 and the Schedule were severally considered and adopted.

The Title was considered and adopted.

The Bill, as amended, was adopted and the Chairman ordered to report it forthwith to the House.

At 4.00 o'clock p.m., the Committee adjourned to meet again at the call of the Chair.

R. J. GRATRIX,
Clerk of the Committee.

EVIDENCE

MAY 21, 1954.

10.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. This is bill 442, an Act respecting the construction of a line of railway and perhaps the minister would say a few words.

Hon. Mr. CHEVRIER: Mr. Chairman and gentlemen, this bill was referred from the House of Commons to the Standing Committee on Railways, Canals and Telegraph Lines following second reading given by the House. As a rule the object of these meetings is to consider the bill clause by clause and also it is to get any information that the committee may wish to obtain from the officers responsible for the preparation of this legislation.

There are here this morning Mr. S. W. Fairweather, K. M. Ralston and A. B. Rosevear, all officers of the Canadian National Railways and there is Mr. G. H. Hoganson, who is office engineer in research and development, in case these gentlemen may be required. It may not be necessary to call them all, but that will be up to the committee to determine.

If it is the wish of the committee we can have Mr. Fairweather give evidence at this stage.

The CHAIRMAN: Gentlemen, it is customary to have the evidence printed. I would like to know how many copies you would like.

Mr. BYRNE: I should like to move that we have 500 in English and 200 in French.

Mr. LAFONTAINE: We might want more than that in French.

Mr. GAUTHIER (*Lac-St. Jean*): Maybe 500 in French.

The CHAIRMAN: 500 in English and 500 in French.

Carried.

Now, the meeting is open if you want to ask Mr. Fairweather some questions.

Mr. S. W. Fairweather, Vice-President in charge of Research and Development, Canadian National Railways, called:

The WITNESS: Mr. Chairman and gentlemen, I think perhaps if I could be allowed a few words of an introductory nature it would put this project in perspective.

The Canadian National has for at least twenty-five years had in mind the development of the area north of the National Transcontinental and at various times we have made studies to see whether the stage of development had been reached that would justify the Canadian National in embarking upon railway projects in the Abitibi and in the Lake St. John country.

Just after World War II we came to the conclusion that the time had arrived when a start should be made and we requested authority to build a line from Barraute to Kiask Falls at the crossing of the Bell river. Now, at that time we had projected studies for the line all the way from Barraute around into St. Felicien. We did not submit a request to construct the line at that time because there was not at that time in prospect sufficient development to lead

us to the conclusion that we could prudently ask for that railway construction and actually when authority was given as far as Kiask Falls we only exercised it as far as Beattyville.

Then, subsequent to that time we continued to watch this territory very carefully—the territory between Beattyville and St. Felicien—because we felt that both from the standpoint of mineral resources and from the standpoint of forest resources it was a very important section of the country.

Moreover, in our large over-all plan we had always thought that the port of Chicoutimi at the head of navigation on the Saguenay river was a natural port for the development of the country lying to the west and we have had, I might say, conversations with prominent citizens of Chicoutimi telling them broadly speaking what our plans were to improve the situation in and around Chicoutimi which at the present time is far from ideal. That was all part and parcel of the plan of development spread over a period of years.

This year after having made further exhaustive studies, we came to the conclusion that the time had arrived when we should ask permission to build the route from Beattyville through to St. Felicien. We went to all people who had shown practical evidence of development in that territory and we said to them: "Now, we are thinking of building a railway line. What can you do in the way of giving us an assurance of traffic? Where do you want to ship your traffic and how much are you going to ship?" We asked these questions because we knew that this venture represented a very considerable outlay of capital, somewhere in the neighbourhood of \$35 million, and as prudent administrators we had to take into account that when we put money like that on the line we had to have a reasonable assurance of getting traffic. Otherwise, we would be creating deficits on the Canadian National Railway and that is something that we do not want to do. We want to develop certainly, and we want to develop in such a manner that there will not be deficits and, of course, that means that there must be prudence in our planning. Well, when we approached the industries, we found that the industries that had an actual stake in the country, in the sense that they were putting their own money into it, were confined to the mining industry in Chibougamau, and to the pulp and paper interests in the Lake St. John country and the Howard Smith interests as represented by certain timber limits lying to the east of Beattyville. We went to these people and said: "Now, what can you do for us? We want to build a line of railway. We think it is a good line. We think it will fit into the broad planning of the future development of Canada and we would like to know what you will put on the line?"

We spoke to the Campbell Chibougamau Mines who are developing a mine at Chibougamau and who have a fairly substantial property with, I think, about three or four million tons of ore proven and a contract with the United States. We found that they were very eager to get a railway and we said: "All right, how much are you going to ship, and where are you going to ship it?" And they said: "We want to ship our concentrates to Noranda."

We went then to Opemiska copper mines, another property lying just on the route of our railway a few miles to the west of Chibougamau and we said the same thing to them; "Are you interested in a railway?" They, of course, said, "Yes, decidedly," They said: "It is costing us an extortionate amount of money to get our concentrates trucked from Opemiska to railhead at St. Felicien and they said it would be a Godsend to them if they had a railway.

We said: "What can you do to make it possible?" And they said, "Well, we will ship so many tons of concentrates a year" and we said, "Where are you going to send them"? And they said "We want to send them to Noranda."

Well, we went to the other people in the country. We went to the pulp and paper interests that have limits lying between St. Felicien and Chibougamau; the big companies, the ones that had substantial interests there. We said: "What about it? Do you need a railway?" And they said "A railway is not essential to us; it would be a convenience, however, and if you will quote a rate on the shipment of our pulpwood cheaper than it costs to stream drive it we will ship traffic." Well, we took out some figures and we found out that to quote a rate on such terms as that meant there was no money in our coffers because stream driving—once you put the wood in the water—is a pretty cheap way of getting pulpwood down to St. Felicien. In any event, that is what we learned from the pulp and paper interests there. They said, "Sure, we would like a railroad, but we are all set up for stream driving. All our limits are served by the Ashuapmucuan river and other rivers, and we would use your railway in large measure only if you gave us a rate that made it cheaper for us to move our wood by rail than by stream drive." Then we went to the Howard Smith Company, with limits to the east of the Bell river, and said, "How about you?" They said, "Well, we are very much interested in a railway. We have the problem of developing the wood resources, and we are very much interested in a railway." We said, "Where would you ship your wood?" They said, "This pulpwood that we would be shipping would be all going down into the province of Quebec to Windsor Mills and Crabtree Mills," which gave us a nice long haul on the pulpwood and gave us an opportunity to make an honest dollar. So we put all these figures together, and we found out that we could justifiably at this time build a line from Chibougamau to Beattyville on the basis of the traffic that these people said they would ship. Then we went back, after having determined that, and said: "It is not enough that you tell us that you would like to have a railway; it is not enough that you would say that this is the amount of traffic you figure on shipping. We want to have something better than that. Will you back your opinions with a contract? Will you give us a contract? Will you guarantee to ship a certain quantity of traffic?" And they did. With those guarantees, we felt that we were solidly justified in building a line from Beattyville to Chibougamau.

We might have stopped at that point, and if we had done so we would have still had in our mind's eye the thought that we would subsequently come and ask for a line from Chibougamau to St. Felicien. That was given considerable thought, but when one took a look at the over-all developmental picture of the whole area it was realized that even though we did not at this time succeed in getting a sufficient assurance of traffic to warrant the construction at this time of the Chibougamau-St. Felicien branch, nevertheless it was thought that we should at this time announce our intention as a development project of building the line in its entirety from Beattyville to St. Felicien. Now, the reason for that, from our development point of view, was that with the certainty that we have the authority to build this line, parliament having authorized it and given us a reasonable time in which to work up enough traffic to justify it, we could go to industry, and if any industry had in mind developments that require this railway we could say to them across the negotiating table: "you put your money into the plant and we will put our money into the railway extension." Moreover we felt—and we honestly feel—that if we are granted the authority to construct the line from Chibougamau to St. Felicien as part of the whole project that it is a reasonable expectation that we will be able to find enough traffic to justify the construction of the line. But as prudent administrators of the Canadian National as things stand we just cannot give you a certificate that the portion of the line from Chibougamau to St. Felicien would be self-supporting on the basis of things we know. Therefore, we have come to you

with the whole project of which we say the portion from Beattyville to Chibougamau is sound and it is what industry wants. After all the Canadian National Railways lives to serve industry and we have to have regard to what industry wants. If we build lines of railway where industry is not actively interested we run the risk of getting into serious trouble. So industry wanting the line from Beattyville to Chibougamau and having backed their opinion with their signature on contracts of traffic, and having our development prospects in mind with regard to the line from Chibougamau to St. Felicien we, the Canadian National, decided to ask the government for permission to build the whole line.

I think that is about the general outline of the background of this particular proposal. There are a great many details in regard to natural resources and things of that character that I would be pleased to speak to if anyone desires.

The CHAIRMAN: Are there any questions that you would like to ask Mr. Fairweather?

By Mr. Wood:

Q. The witness mentioned in his remarks that we went to the business and mining interests and said to them that he was going to build the railway and asked them what about it. In other words, it appears that their minds were made up to build the railway before they knew whether they were going to get any business or not. I would like an explanation of that.—A. Just what is the question?

Q. You stated that you went to these mining interests and other interests in the area where you were going to build the railway and told them we are going to build a railway and now we want to know what you are going to give in regard to business on the railway.

Hon. Mr. CHEVRIER: He did not say that. He said we are thinking of building a railroad.

Mr. WOOD: No. He did not say that.

The WITNESS: We certainly did not go to these people and say we are building a railroad. We went to them not once but a dozen times and said to them—

By Mr. Wood:

Q. You used the remark: on these occasions we went to the firms and said how about it—talking about business?—A. That is right.

Q. Did you not know before how about it?—A. We knew what we needed. We did not know whether they could supply it or not.

Q. You gave me the impression that you decided to build the railroad and then went out to find out if there was any business.—A. No. This business of exploring the possibility of a railway consist of a very careful appraisal of the natural resources, and also the state of development of these natural resources as represented by what private capital is willing to do. We have to find all that out; that is what we were doing. We had exploratory talks, but we certainly did not say to them first that we were going to build a railway, and what could they give us. We said: "How interested are you in a railway, and what are you willing to do to make that railway a feasible project".

By Mr. Hahn:

Q. Are there no mines from Chibougamau to St. Felicien?—A. That touches on the natural resources of the country. Answering your question specifically, Mr. Hahn, once you get over the height of land between Chibougamau and Lac St. Jean, you get into a territory where as yet no prospect of a mine has ever been found.

The geology of the country changes abruptly when you get to the height of land which runs just to the east of Chibougamau.

West of that line you have quite a different type of geology and the area from Lac Mistassini down through Chibougamau, along through Beattyville and on down through Noranda, and after that into Ontario constitutes a huge mineral area.

Now, this is a technical point, but right through this territory there is a gigantic fault which is a break in the earth's crust and which is usually associated, in the pre-Cambrian with mineralization and that runs just about parallel to our railway.

It is not an accident that our railway is parallel to that fault. We laid out the route so that the railway would parallel the fault, because it is along that fault that mines are likely to be found.

You will find here, at a place called Bachelor Lake, that there is a fairly substantial showing of a zinc-silver mine which is controlled by Dome Mines. They developed it up to a point and they said that they would leave it until transportation was available. They told us that with a railway going in there they would take another look at the property; but they were not, at the moment, in a position to guarantee shipments.

There are, between Beattyville and Chibougamau—I do not know, Keith, just how many prospects there would be. It would be a matter of 100 or more prospects in that area and of course, there are literally thousands of mining claims, and I would say there are perhaps in the neighbourhood of 100 properties worth looking at in the prospecting stage.

Q. The reason for my question was this: I am not opposed to the line, but I wondered about the economics of it, and I wondered if the terrain from Chibougamau to St. Felicien might not be a highly agricultural one.—A. No. We looked at that possibility. I know there have been statements made both as regards the line from Beattyville and Chibougamau, and between St. Felicien and Chibougamau, to the effect that they would open up agricultural land. But in my opinion, and after having made a personal examination of the territory, I think that those views are false.

I think that we must recognize that we have, in this area, vast wealth in the form of forest wealth, and vast wealth in minerals from Chibougamau west. But insofar as agriculture is concerned, I would say that except for patches here and there, there is no large area suitable for agriculture.

Q. That would be a wood pulp area, would it not?—A. That would be a pulp wood and lumber area.

Mr. HAHN: After the pulpwood is removed, would it be useful for, let us say, dairying purposes?

The WITNESS: No, but I am glad you raised that point. If you look at this map—I guess the sustained yield is not shown here—but in order to explain I must say there has been a revolution taking place in the question of forest management in Canada. It used to be that you would treat forests as you would treat a mine. You cut it over and then forget it. That day has gone and at the present time every important interest that is engaged in forestry in Canada is thinking in terms of sustained cut and they treat the forest as if it were a gigantic farm and they consider that instead of having a crop cycle once a year as on an ordinary farm the forest crop cycle is based on about 50 years but it is farming of a kind. Always, in areas like this which are permanent forests, the figures that we use are sustained annual cut. Now, the sustained annual cut in the area between Chibougamau and Beattyville—that is, in the watershed of the Hudson Bay—is somewhere in the neighbourhood of 700,000 cords. To be exact, it is 671,000

cords a year. That is the potential cut sustained which is going on and on and on year after year after year—the perpetual yield of the forest. The figure for the area lying between Chibougamau and St. Felicien is about 366,000 cords. To reach those figures you have to consider this whole gigantic area as one vast forest farm.

Mr. HAHN: What caused you to make the statement that you contemplated building the railway from Chibougamau to St. Felicien if there is nothing but reforestation in that area?

The WITNESS: Gentlemen; one of the most valuable assets Canada has is her forests. In a large part of Canada you cannot exploit them without railways. You must have this in mind: The line we built from Barraute to Beattyville was built practically for nothing else except to give access to the forests surrounding the line so that pulpwood could be cut and shipped down to pulp mills in the St. Lawrence valley which it would turn into newsprint, writing paper, cellulose and rayon and things like that.

Mr. HAHN: Why not follow immediately through the full circle line I proposed a moment ago?

The WITNESS: You have touched again on a very interesting point. I do not know whether we have a big enough map to illustrate what I mean. You have touched on a very interesting point. I will now illustrate my point on a development map of the area.

I do not know if you gentlemen can see this new map clearly or not, but this is a picture of the pulpwood and paper industries of the province of Quebec and you can at least see that down in the St. Lawrence valley there is a great cluster of pulp and paper mills. Now, they have historically drawn their sources of pulpwood from the areas that were originally fairly adjacent to those mills, but as our pulp and paper industry expanded they had to reach out further and further and further to get pulpwood and you can generalize by saying that, thinking in terms of this perpetual yield that I spoke of, the areas lying south of our national trans-continental are being over-exploited at the present time in the sense that they are cutting more than the annual yield. The surplus areas consist of the north-shore pulpwood, which can be waterborne down the St. Lawrence, and the Abitibi area. Now, the Lake St. John area has a cluster of its own in the Saguenay. You will see each of these points on the map—each one represents a pulp and paper mill in the Lake St. John area and they draw their pulpwood from the watershed of the rivers that flow into Lake St. John and very little of that pulpwood gets down into the St. Lawrence valley. As a matter of fact, of all the pulpwood in the Lake St. John basin, less than 8 per cent gets down into this area. That means that these mills in the St. Lawrence valley area will depend in the future more and more upon rail borne pulpwood from the Abitibi. That is about the only source. They have exploited the north shore.

Now, it was because of that knowledge that we said that this line was a fundamental necessity in the development of the pulp and paper industry of Canada. We cannot say the same of the line from St. Felicien to Chibougamau because they can develop their pulpwood resources by stream driving so that we find ourselves in that position.

Well, Lake St. John has fairly ample reserves. They are a surplus area too, but they are not exporting their pulpwood from the Lake St. John basin.

Mr. HAHN: Why do you propose to build that railway later?

The WITNESS: That is another story of broad development purposes. When one takes a look at the wealth of this country—that is, the northern Quebec area, and including, if I may be so bold, northern Ontario—

Hon. MEMBER: Hear, hear.

The WITNESS: You find that it consists partly of agriculture, because there is a substantial area in the clay belt suitable for agriculture, but mostly it is forest wealth and mining wealth. Now, there is one broad objective we have been aiming at for many years and development work, I might say, does take a long time and you have to be patient if you are going to get results. We produced in this area I am speaking of, large quantities of copper and associated zinc. The copper is pretty well provided for by a smelter located at Noranda and with a refinery in Montreal. There is also a copper smelter and refinery at Sudbury but it is pretty well confined to its own business and does not go into customs operations. Noranda, on the other hand, is a customs smelter and the existence of Noranda as a customs smelter has had a tremendous influence on the development of the mining area of the north. I am proud to say that on a previous occasion it was the Canadian National Railway which spearheaded a railway service into Noranda to make that development possible. It was the Canadian National Railway which did that.

An Hon. MEMBER: Hear, hear.

The WITNESS: As it became apparent there was a large quantity of zinc in this country and we, thinking in terms of broad development, tried to interest private capital in putting in a customs zinc smelter and we suggested the logical place for that zinc smelter is Chicoutimi. Now, why did we say Chicoutimi? Because, after all, Chicoutimi apparently was on a very round about route and located up in a corner of the province. Well, we said Chicoutimi for these reasons: It is on deep water which gives access to the markets of the world and most of our zinc, gentlemen, has to be exported. Secondly, we said there are large blocks of electric power available in the Chicoutimi area. Next, we said it is a thriving industrial area. The people have been industrialized—they know what it is all about—and their attitude with regard to industry is favourable. We said it is a “natural” that you should put your zinc refinery at Chicoutimi.

We said, too, that with a big industrial area like that the sulphuric acid which would be a by-product of zinc smelting would be useful in that area and for those of you who go into industrial economics you will know that the measure of any country's industrial progress is really its consumption of sulphuric acid. Therefore, we have endeavoured to get a zinc smelter at Chicoutimi. If we could get a zinc smelter we would be justified in building the line from St. Felicien to Chibougamau.

Mr. NICHOLSON: How many miles is that?

The WITNESS: 149 miles.

And then we would have a direct line connecting every one of these zinc mines that are located in northern Quebec and Ontario; a direct line to a smelter in Canada on the Saguenay river.

Mr. NICHOLSON: Where do the zinc concentrates go now?

The WITNESS: Every ton goes out of this country and is shipped long distances down to zinc smelters in the United States. Some of it actually goes overseas to Europe but it has been our plan to try and build a custom zinc smelter in the St. Lawrence Valley and we know that we have the zinc reserves. I have talked personally to industrialists and this I can say is their general reaction—a customs zinc smelter in the St. Lawrence valley is a certainty. The only thing is the question of timing—I did not mention this matter in my introductory remarks—but what we want to do is to be in a position to say to anyone building a zinc smelter in Chicoutimi: “We will build that link pronto so that when you get your refinery up you will have your rail service.”

Mr. HAHN: Doubtless the committee will wonder why a man from British Columbia should be interested in this particular line. It so happens that I lived on the prairies for some years and in 1923 they were supposed to give us a spur line from Hilda to be extended sixty miles to Medicine Hat. We are still waiting for it and the people there still have to travel 700 miles to get to Medicine Hat because the line, which would be a sixty mile spur, did not go through.

The same thing occurred in British Columbia. The P.G.E. starts from one place and goes to another place and they are still trying to finish the end of it.

There is one further question I would like to pose and it is this: in the proposed building of this railway from Beattyville to Chicoutimi would it be actuarially sound at this time to build it, let us say, from Beattyville to Chicoutimi through Chibougamau with the contracts that you have signed?

The WITNESS: The answer is "no". There is not enough fat in it.

Mr. GREEN: I am very much interested in the mining picture as disclosed by Mr. Fairweather and I wonder if he could tell the committee where the zinc deposits are situated.

The WITNESS: Where they are situated?

Mr. GREEN: Yes.

The WITNESS: Actually, sir, they are distributed along a belt that runs all the way from Chibougamau right through Quebec, through Noranda and through to the west of that again, and there has been recently a large discovery at a place called Manitouwadge.

Hon. Mr. CHEVRIER: That is on the same parallel of latitude?

The WITNESS: Yes. All the zinc mines are strung like beads along the line of the national transcontinental railway within a distance, let us say, of 60 or 70 miles one side or the other of the national transcontinental railway. Some of the big projects that are in production would be the Amulet, Quemont, Barvue, Normetal, the Golden Manitou and East Sullivan. There are simply enormous reserves of zinc and for the most part the zinc that is produced in this territory is a by-product of copper mining and makes for a very cheap zinc concentrate, because if you are going to get the copper you have to take the zinc and then it is a simple matter to obtain the zinc concentrate.

By Mr. Green:

Q. Are you planning in the future to take the zinc from as far west as Lake Manitouwadge down through Quebec to Chicoutimi?—A. We are prepared to do it, sir, if industry wants to do it. After all, we are just a service. We carry goods. However, I can tell you this: that the zinc concentrates that are being mined now in that territory for the most part are being hauled by railway all the way through to East St. Louis so I do not think it is too much to contemplate moving it one-third of that distance, to places like Chicoutimi.

Q. You have in mind that zinc from as far west as Port Arthur in Ontario will go to Chicoutimi?—A. It might.

Q. And that the copper, on the other hand, would go the other way? The copper in Quebec, I mean, would go to Noranda?—A. Yes, but also the copper in Ontario. I would think it would be a very logical move for the copper from Manitouwadge to go to Noranda.

Q. The plan for zinc is that it will be carried to Chicoutimi?—A. That is what we are trying to point out to industry as a desirable thing.

Q. And yet the line you are going to build is to go from Beattyville to Chibougamau and the ore from that area will go down to Noranda?—A. The copper ore?

Q. Yes?—A. Yes.

Q. Now, you want to get the zinc ore separated from the copper ore and have the zinc ore taken down from Chicoutimi?—A. Yes.

Q. That is your plan?—A. You spoke of it as being my plan and I would like to correct that.

Q. You look far ahead and I have great respect for your judgment and I am simply asking you whether that is the plan that you suggest as an official of the Canadian National Railway in charge of development and that is what they have in mind?

Hon. Mr. CHEVRIER: May I interrupt? Mr. Green, I am sure you do not want to be unfair. The witness has already explained he is there to serve industry.

Mr. GREEN: Pardon?

Hon. Mr. CHEVRIER: I am sure you do not want to be unfair. The witness has already explained he is there to serve industry. The Canadian National Railway first and foremost is there to serve industry and when you use the words "your plan" I think you should qualify them. After all, you are putting words in the witness' mouth and I do not know whether he appreciates what you are indicating. Perhaps you should say, it is the hope of the Canadian National Railway—

Mr. GREEN: I will put it this way: the Canadian National Railways is hoping that the zinc from this whole northern area will go through St. Felicien to Chicoutimi.

The WITNESS: That is one possible solution, and that is the solution which we think would be a satisfactory one but just to clear up this point we feel that a zinc smelter in the St. Lawrence valley is so important that if we could convince industry that they wanted—let me back up—if industry has convinced itself that a zinc smelter located, let us say at some other point—maybe in Montreal or Valleyfield or Quebec City, the Canadian National Railways would cooperate with industry 100 per cent to get that zinc smelter established. What we say, from a development point of view, is that it is desirable that there be a custom zinc smelter in the St. Lawrence valley. Our appraisal of it indicates that the logical location would be Chicoutimi, but we do not say it is the only possible location. You do not get very far in development work if you start being dogmatic about what you are going to do. You adjust yourself to what industries want and I wish to make it perfectly clear that the Canadian National Railways is only a servant. We do not direct the development here, there or the other place. We find out where development is taking place and where industry wants to venture its money and then we go in and make it possible by furnishing the required transportation.

Mr. GREEN: Am I fair in putting it this way: that the Canadian National Railways would very much prefer to see a zinc smelter established at Chicoutimi?

The WITNESS: Yes, we would like to see it established there, certainly.

Mr. GREEN: That is your first choice from the point of view of the development of the country, and railway traffic?

The WITNESS: Yes.

Mr. GREEN: Well, Mr. Fairweather, how do you expect a zinc smelting firm to establish a smelter at Chicoutimi if there is no rail transportation between Chibougamau and St. Felicien?

The WITNESS: You cannot build a zinc smelter with a snap of your fingers. It involves an expenditure of \$25 million.

Mr. GREEN: That is what I say.

The WITNESS: But as a businessman,—and on this ground I know what I am talking about because I have done this time and time again,—when some industry comes along and says it is prepared to spend "X" millions of dollars and needs transportation, we have to say: "Show us that you have the money,

show us that you have the plan, and show us that you have a reasonable market for the products you are talking about and then we will give you the railway facilities as soon as you are in a position to need them. We have done that time and time again, and that is exactly what we are proposing to do at Manitouswadge. In other words, sir, it is not necessary to establish the zinc smelter before this line is built. It could be built at the same time the zinc smelter is being built. We can build that line between a year and two years—perhaps two years would be the safer bet—and you could not get a zinc smelter built in less than three years.

Mr. GREEN: You are waiting for some private firm to come along and tell you that they will build the zinc smelter at Chicoutimi before you will complete this line from Chibougamau to St. Felicien?

The WITNESS: That is not correct, sir. I said in an explanation of the situation that as part of our broad planning this line between St. Felicien and Chibougamau fitted into the broad development picture of the Lake St. John basin. I said that one of the possibilities would be a zinc smelter. It is not the only possibility by a long way, but we stand in this position that if private industry in sufficient amount puts sufficient capital into any form of development and shows us that we can, as prudent railway managers and as trustees of the Canadian National Railways, build that link between Chibougamau and St. Felicien, we will build it.

Mr. GREEN: I would just like to take another look at the zinc smelter. Who would make a proposition of that kind? Who would pay out \$25 million for the construction of a zinc smelter when there is no railway from Chibougamau to St. Felicien? There may be some people like that in the world, but I have never seen any in western Canada?

The WITNESS: I think the word of the Canadian National Railways is worth something and when we sit across a table and say we have the authority to build the railway and we have the finances to build it, and all we need from you is the promise to build the smelter, then I think you have the elements of a deal.

Mr. GREEN: But in the meantime these zinc concentrates are going in another direction, are they not? You said that yourself.

The WITNESS: Certainly, because there is no zinc smelter.

Mr. GREEN: And they will continue to go in the other direction, will they not?

The WITNESS: Until there is a zinc smelter.

Mr. GREEN: And any zinc concentrates which go out of the Chibougamau area will be going off to east St. Louis eventually?

The WITNESS: They might go to east St. Louis or overseas or to Montana.

Mr. GREEN: Where do they go now?

The WITNESS: They are not shipping zinc from the Chibougamau area at the moment.

Mr. GREEN: And you said the pre-cambrian shield runs parallel to the western end of this proposed line?

The WITNESS: I do not want to be too technical but the Laurentian shield is a term that applies to the whole area. It applies to a complex of a great many geological ages. The Laurentian shield includes all of the area around Lake St. John and all Labrador. I think what you are talking about is a statement I made earlier in which I said that within the Laurentian shield there is a mineralized belt which traversed by a fault running between Barraute and Chibougamau. It is only a section of the pre-cambrian shield.

Mr. GREEN: Does that belt continue to the north-east?

The WITNESS: As far as lake Mistassini.

Mr. GREEN: And the history of development in the pre-cambrian shield has been that as one district has opened up other discoveries are made in the new territories beyond?

The WITNESS: Yes.

Mr. GREEN: And it is your hope that there will be minerals found further along beyond where you are building this western branch?

The WITNESS: Well, it gets rather speculative and I would prefer to wait until some prospector comes along.

By Mr. Green:

Q. But you have geologists who give you geological advice. Have you not been advised by your geologists that in all probability this mineralized area continues out beyond Chibougamau?—A. Well, it is heading out, but it is very speculative. When you get beyond Chibougamau it is very speculative and I would not want to be hung with statements. Let me make it plain. I made a definite statement that so far as I was aware, between Chibougamau and St. Felicien, once you get over the height of land, so far as we know there are no substantial prospects of mineral developments. The geology of the country changes. But when you talk about Lac Mistassini, that is in a quite different direction; it is away up to the north of Chibougamau.

Q. That is the area I have in mind. I suggest your information is that this mineralized area continues over to the north east from Chibougamau?—A. No, I did not say that. I do not know what is up there. But I do know that between Chibougamau and Beattyville there is excellent prospecting territory in which mines have already been developed.

Q. If the western branch of the line is the only one completed, the result would be that any new mine in this mineralized fault will be served by the western branch of that line?—A. I think you are putting a question to me and asking me to say that the Canadian National Railways, having applied to parliament for permission to construct a line from Beattyville to Chibougamau, does not intend to do it, and that is not true.

Hon. Mr. CHEVRIER: Just a moment.

Mr. GREEN: I asked the witness a perfectly plain and straightforward question.

Hon. Mr. CHEVRIER: You did, and I was going to raise a point of order a moment ago to say that your question looked as if you were coming to the point where you were stating, in effect, that the Canadian National Railways was not sincere in its application to parliament to build the east end of this line, and I think that is really the effect of your last question.

Mr. GREEN: You are not the chairman of this committee. I am not questioning the sincerity of the railway for one minute. I am asking a question about mineral development or prospects over to the northeast. I did not say a word about the sincerity of the Canadian National Railways. I have understood from the witnesses' own evidence that this mineral area runs over to the northeast and I asked if the result of building the western branch of the line is not likely to be that that mineralized area will be served by the western branch of the line in other words, that the minerals will come down the western branch of the line through Noranda.

The WITNESS: My answer is this: I am a professional man and I must have regard to all the circumstances. If mineral development was found in the Lac Mistassini area, at the moment I do not know how it would be served by the railways.

It might be served in the way of which you speak, or it might be served by such means as to justify a line direct down into the Lac St. Jean country; or it might be served so as to justify a line straight down to the Gulf of St. Lawrence. I do not know. But what I do know is that I have stated the plans of the Canadian National Railways.

By Mr. Green:

Q. Your hope is that the copper will flow down to Noranda, and that the zinc will flow to Chicoutimi?—A. I think you are twisting things. I beg your pardon. I did not mean to say that. But I think you have not properly understood just exactly what I said. Noranda is already in existence.

Q. That is right.—A. Now, what smelters are going to be in existence at some other period of time, I do not know. But I know there is a smelter being promoted in Chicoutimi, that is, a copper and nickel smelter.

It is quite possible that ores will flow to that smelter if that smelter is a success; and it is possible that you may have other smelters in the province of Quebec and in the province of Ontario.

I am one who has a tremendous faith in the mineral resources of the Pre-Cambrian shield, particularly in the area in which we are concerned. And it does not surpass my imagination that we might, in the future, find quite a different pattern for smelters, and quite a different pattern for refineries.

But what I do feel very strongly is: that it is the function of the Canadian National Railways to see that wherever industry is putting private capital to work, it is the job of the Canadian National Railways to see that it fits into the transportation picture. We do not try to force development this way, that way, or the other way. We simply are content to say that we will give you that type of transportation which is the most suitable thing in a given set of circumstances.

Q. Perhaps I might put it this way: that under existing conditions it is the hope of the railways that the copper would go to Noranda and that the zinc would go to Chicoutimi?—A. No sir, it is not the hope of the railways that they would go that way; it is the certain knowledge from these mines that it is going that way, and we have contracts to that effect.

Q. The hope is—the Canadian National Railways' hopes—the hope is that the zinc would go to Chicoutimi?—A. Our hope is, if you put it that way—but I prefer to say this: that we see as a development possibility—a pretty advantageous possibility—the construction of a zinc smelter somewhere in the St. Lawrence valley to serve this great mineral empire and we have been trying to get it working; we have tried at various places. I shall not mention the names of other communities; but Chicoutimi is not the only one.

Actually, one must admit that our "size-up" of the situation is limited by our own ability to take cognizance of all the factors involved. We think that Chicoutimi is a good bet for a zinc smelter and we hope to get private capital interested in it, and if we do, we will be "Johnny on the spot" to give them service.

The CHAIRMAN: Now, Mr. Dumas.

By Mr. Dumas:

Q. Mr. Fairweather, we have been told that the government wanted parliament to authorize the construction of the whole line from Beattyville to St. Felicien because the Canadian National Railways felt that the whole of that line should be built eventually, and that it was in the best interest not only of the district of Lac St. Jean, but in the best interest of northwestern Quebec, the whole province of Quebec, and of Canada as a whole. In other words, the Canadian National Railways feels that it should have a charter

which would permit it to complete the whole circuit from Beattyville to Chibougamau and from Chibougamau to St. Felicien whenever they think that it will be a sound project economically.

Now, you stress this question in assuming a smelter in Chicoutimi. But actually, in northwestern Quebec we have the mines which you have already mentioned which produce zinc, and that zinc is being shipped to St. Louis and to Europe.

Now, is it a fact that these companies which are producing zinc are getting only about 35 per cent of their concentrates, due to the fact that they are shipping those concentrates to the States by railroad?—A. I would not be too precise about the percentage, but it is, undoubtedly, a fact that when you have to transport zinc concentrates—and they ordinarily carry from 52 to 60 per cent zinc—and you have to transport them for long distances, it is perfectly obvious that to transport 1 pound of zinc, you have got to transport 2 pounds of material, and it costs money. Naturally, there comes a limit when it does not pay to produce zinc.

You have touched on a point which is very important. That is fundamentally why we are thinking of a zinc customs smelter in the St. Lawrence valley, because it would raise the marginal utility of all these minerals there, so that instead of a lot of stuff being left in the ground, it would pay the mine to get it out and process it.

Q. Is it not a fact that if the Canadian National Railways have a charter to build the complete circuit, is it not a fact that it will provide an incentive to many of our industrialists to think more seriously of putting a smelter somewhere in the St. Lawrence valley, it may be at Chicoutimi, Quebec, Three Rivers, or Valleyfield?—A. Speaking as development officer, I would say that the knowledge that this railway, as between Chibougamau and St. Felicien, has been authorized, and that the Canadian National Railways have the financing of it arranged so that they are in a position to build the line promptly upon request, that it would be a very valuable developmental feature.

Q. Now, what is the present population of Chibougamau and the surrounding district?—A. The last time I was up there I suppose that Opemiska had about 100 men, and that the camp at Chibougamau might have had 150; and I suppose there might have been altogether, in the area, let us say, 500 or 600 men. It would be about that.

Q. I am told that in Opemiska now there are about 400 people, counting women and children, and that in the surrounding area there are about 1,000 people.—A. Yes.

Q. From your experience of the past, when districts as promising as that of Chibougamau, Opemiska and Bachelor Lake are guaranteed the facilities of a railway, is it not true that it creates a great amount of activity and incentive and that the population grows very fast?—A. Providing that the natural resources are there, yes.

Q. And it is your experience of the past that that is so. Now then, is it possible that within a short time new development and an increase of population may justify the construction of the east branch towards St. Felicien?—A. If we did not think so, we would not be asking for the authority.

Q. Very well. Now, coming to this branch line from Senneterre to Noranda, to my mind it is quite a good example; is it not a fact that when the Canadian National Railways started to build that line, while it had a charter to build the complete line from Senneterre to Rouyn and Noranda, it started with the section from Senneterre to Val d'Or, because Val d'Or was developing very fast and the population was growing fast, and you had assurance of good tonnage for transportation, so that you built that line first, or that part of the line?

If I remember correctly, it was inaugurated between Senneterre and Val d'Or in 1938, and that it was only in 1940 that it was inaugurated to Malartic and that in 1935-36 Malartic had only one mine and prospects were not too good; nevertheless the Canadian National Railways went ahead with the line between Senneterre and Val d'Or before they went ahead with the line between Val d'Or and Malartic, or Val d'Or and Rouyn. On a smaller scale, it may be comparable to what will happen in the Beattyville-Chibougamau-Lac St. Jean district.—A. If the tenor of your question is that we honestly believe that this line will be built within a reasonable period of time, the answer is yes.

The CHAIRMAN: Have you any further questions, Mr. Dumas?

By Mr. Dumas:

Q. Yes, Mr. Chairman. We have been told in the House that the government was wrong in turning away from the seaport of Chicoutimi, and that no such ludicrous instance could be found than that of a government building a very costly railroad to bring mineral ore which lies scarcely 220 miles away from one of the best seaports of the country to blast furnaces established in Noranda, many hundred miles away.

Now, if the branch from Chibougamau to St. Felicien was built first, and if the branch from Beattyville to Chibougamau was left out, where would the copper concentrate shipments go?—A. All I can say to you is to repeat what I said at the beginning. We went to the producing mines and said to them: where are you proposing to ship your concentrates? And they said: we propose to ship them to Noranda, and that is where they are going.

As to whether they would ship them to Noranda if only the line between Chibougamau and St. Felicien were built, I do not know. I do know that if the line Beattyville to Chibougamau is built the concentrates definitely will go to Noranda; but I cannot say what the mining companies would do under different circumstances. I do not want to put words into the mouths of other people.

If we did leave out the section between Beattyville and Chibougamau and if we built the line from Chibougamau to St. Felicien, we would create another pattern, and frankly, I do not know what the result would be. But I do know, of course, that we would not have had our guarantee of pulpwood from the Howard Smith people.

Whether those people at Opemiska and Chibougamau would have been content with the movement around this route down to Hervey junction and back into Noranda, I do not know. I cannot answer that question. But I do know what they wanted, and they wanted very definitely, a line from Chibougamau to Beattyville and they were prepared to guarantee it. But that is all. I do not want to be avoiding your question, but I do not want to speak for something which I do not know.

Q. That is fair enough. I am told by the officials of this company that actually the shipping of their concentrates costs them \$21 a ton, or roughly around that.—A. That is right.

Q. And if that line is built from Chibougamau to Noranda through Beattyville, it will reduce that cost quite substantially.—A. That is right.

Q. In fact, it will then only cost them around \$7 a ton. But if that part of the railroad was not built to join them with the Noranda smelter, there would be a tendency for those companies to ship their concentrates to the States.—A. Again, you see, I do not want to be caught putting words into other peoples mouths; but quite frankly, if I were advising the industry, that would be a possibility which I would look at very hard.

Q. So, after the Canadian National Railways has said: Well, we are looking forward to building that line to Beattyville in order to permit those companies

to ship their concentrates to Noranda, the said companies went ahead and signed contracts with Noranda.—A. Yes, and I might say this, just to show you the degree of partnership there is between the railways and industry: Noranda, in order to take care of the copper which would be produced in the Chibougamau area, found it necessary to enlarge their Montreal refinery, and they had to spend quite a lot of money on the enlargement of that refinery.

They came to us—and I am not disclosing any secret in this—they came to us and said: Our decision is to enlarge our refinery in Montreal East, and it is based on our expectation that we will receive concentrates from Opemiska and from Campbell-Chibougamau via Beattyville. And they spent a lot of money on the refinery on that basis.

Q. Now then, those concentrates will come from Chibougamau and it will give work to a Canadian smelter, the Noranda smelter?—A. That is right.

Q. Now, those concentrates will be transformed into what are called “copper anodes”?—A. That is right.

Q. And they would be shipped from Noranda to the refinery?—A. At Montreal East.

Q. Do you not think that it gives more work to more Canadians?—A. That is right.

Q. And after those anodes have been transformed into refined copper, the product is processed further into manufactured copper products also in Montreal and in other parts of Canada, with the result that we keep our natural resources in this country until they are completely transformed. Otherwise, from a business point of view, if those companies have to pay \$21 a ton, and if they have to look forward to paying \$21 a ton, would they not try to ship them where it would cost them less? They would be shipped to the United States with the result that all those concentrates would be transformed there.—A. In our talks with the industry, they made it perfectly plain that they were shipping their concentrates at a high cost, and that they wanted them to go to Noranda because that was the cheapest place for them to go.

The CHAIRMAN: Mr. Gagnon.

By Mr. Gagnon:

Q. Did the government ask the Canadian National Railways to make a survey for the purpose of locating a line between Chibougamau and St. Felicien?—A. Not to my knowledge. As I explained earlier, the Canadian National Railways have had this matter under study over the last 25 or 30 years.

Q. Did the government bring pressure to bear on the Canadian National Railways to build section “B” before building section “A”, from Chibougamau to Beattyville?—A. You are talking now in terms that I do not recognize. I cannot understand them because in all my life in the Canadian National Railways I have been accustomed to looking at these things from the point of view of the Canadian National Railways and I do not recognize your question.

Q. Is it not a fact that the officials of the Canadian National Railways have turned down an order of the government to build the two sections at the same time?—A. I have never heard of such a thing.

Q. Has the Canadian National Railways ever received subsidies to build a new railroad?—A. Oh my, yes, in the past, certainly. And I have very strong views on the question of subsidies. I am in favour of them.

Q. If the government agreed to give a subsidy to the Canadian National Railways for the purpose of building a section of the line from Chibougamau to St. Felicien within a reasonable time, would you agree to the immediate

start of the project?—A. If anybody will come in and say that he will aid in the construction of this line, either by guaranteeing traffic or by giving a subsidy, we would look at the problem in the light of how big is the subsidy and how big is the traffic.

Q. What would be the cost of maintaining the track and road-bed of the railroad line?—A. It depends on the volume over the line. I imagine it would be about \$2,500 or \$2,000. I am advised by our technical men that it would be about \$2,000 a mile per year.

Q. And what is the distance between Chibougamau and Noranda?—A. 315 miles.

Q. And between Chibougamau and Chicoutimi?—A. I am afraid he will have to work that out for us. Have you got another question in the meantime?

Q. Could you tell me where the native sulphur and sulphur gas would be refined?—A. You are referring to the by-product of sulphur and perhaps of sulphur dioxide from the pyrites; is that what you are talking about?

Q. Yes.—A. That is a very complex subject. Noranda has spent I do not know how much money, and how many years in developing a process to produce elemental sulphur from pyrites as a by-product. I do know the economics of it; in order to make it go, you have to salvage the iron ore, and you have to salvage the sulphur, that is, either the elemental sulphur or the sulphur dioxide, and it is a very complex marketing problem.

There have been scores—yes, literally scores—of people who have come to us with schemes for producing elemental sulphur and iron ore from the huge pyrite deposits that are available in the north, but none has as yet ever come to fruition. It is something that perhaps sooner or later will be worked out, but it has not been worked out yet.

Q. The minister said in the House that the Canadian National Railways will proceed to assist and encourage further developments in the Lake St. John-Saguenay region as a means for building up potential traffic for these new lines. Will you tell the committee what your plans are in this connection?—A. I am not certain that I get what you mean.

Q. Have you something to add to what you have already said.—A. You want to know what we are doing to encourage traffic?

Q. Yes.—A. Well, we have a development organization.

Q. I am speaking of these branch lines.—A. Yes, we have a development organization. We study potential markets. We study natural resources. We try to find instances where private capital might be interested in establishing industry, and we put a reasoned case together, with all the information. Then we do exactly the same as any other “drummer”, we put all that information in a briefcase and put a man out and he starts ringing bells and goes here, there and everywhere. We have men in New York, Detroit, Chicago, London, to interest foreign capital, and we have representatives in every important city in Canada. When we get one of these things that we think is what we call a blind spot in the economy, where there is an opportunity for something, we never cease pushing it until we come through with success. We have had quite a measure of success. I cannot give you any more specific answer than that. We are eager to develop the country; we are trying to approach our problem intelligently, and within our own field we, let us say, advertise opportunity for industry and point out that the Canadian National Railways will co-operate. That is as far as we can go.

Q. How big and how important are the timber limits of the Howard Smith Paper Mills in the area?—A. They are very large. I believe you can

see them outlined on this map. They are located to the east of the Bell river, and I think in total—I have forgotten how many square miles are involved, but it is a very substantial limit.

Q. How important is the operation of Consolidated Paper Corporation?—

A. The Consolidated Paper is over in the Lake St. John basin. The Consolidated Paper is 34A. It is a huge area in here on the upper waters of the Ashuapmuchuan river. Then they have other areas. They have an area down here to the south of Lake St. John.

Q. Where is the head office of the Howard Smith company?—A. Montreal.

Q. Where is the head office of the Opemiska mine?—A. I really do not know where their head office is.

Q. Do you know where the directors are?—A. I know the men I dealt with, but I do not know the directors.

Mr. GAGNON: Thank you.

Mr. NICHOLSON: I merely want to ask this: What is the extent of the Howard Smith limits and what sort of guarantee is there that there would be a sustained yield coming? For how long a period are you assured of the cutting?

The WITNESS: We asked them to give us a guarantee of 30,000 cords a year over a period of six years, cut in the limits of the line east of the Bell river. We felt that if they got going on a basis as substantial as that over a period of six years they would be thoroughly established, and we did not ask them for any more than that.

The CHAIRMAN: That was given by the minister the other day.

By Mr. Gagnon:

Q. Do you have the figures that I asked on Chibougamau?—A. From Chibougamau to Noranda was 314 miles, and from Chibougamau to Chicoutimi was 226 miles.

Q. Nearly 100 miles shorter from Chibougamau to Chicoutimi than from Chibougamau to Noranda?—A. Well, it is 88 miles shorter.

Q. You admitted it is cheaper to ship products by C.O.A. than by your railway?—A. It depends on the product but, generally speaking, water transport is cheaper.

Q. The production in which we are interested now—mines?—A. Speaking as a railroad man, we are always in competition with water transport.

Q. But water transportation is cheaper than rail?

Mr. DUMAS: But it would go to the United States. Is that what you want?

The WITNESS: Water transport ordinarily is cheaper than rail transport.

Mr. GAGNON: Thank you very much.

By Mr. Hamilton:

Q. Mr. Chairman, the first thing I would like to ask the witness is this. I was very much interested in his observation regarding the attitude of the paper companies, particularly Consolidated, in the area between Chibougamau and Chicoutimi, for this reason. It seems to me that in recent years there has been a steady trend away from the stream drive to either truck or rail transportation. In other words, the stream drive in many parts of Canada where it used to be a good proposition is not nearly so common, and I was wondering why in this particular area they would feel that, even with a railroad there, there was no possibility of using the railroad?—A. They did not say that.

They said, "If you make it cheaper for us to ship by rail, we will ship by rail." What I said was that we looked at the problem in that light and we came to the conclusion that if we had to quote a rate that would make it cheaper for them to ship by rail we would not be making any money.

Q. Would you be losing any money?—A. If we quoted a rate such as that, it would be such that we would not make any money.

Q. I am trying to be fair to you, Mr. Fairweather, and I am sure that you want to be fair to me. Obviously, if you quote a rate at which you will not make any money, you have two other possibilities. Either it will be a rate on which you break even or a rate on which you lose money. If it is a fact that you are not going to make any money, I am asking you which of the other two possibilities it is. Is it a break-even proposition or a loss proposition?—A. You may say this. It is my honest opinion that it would be a loss, but I qualify my answer by saying that before I could say it with complete objectivity I would have to make a more detailed analysis. The analysis we made simply established the point that there would not be anything in it to help carry the overhead of the line. At that time we said, "We cannot give you a credit".

Q. I think you realize, Mr. Chairman, that that information would be just a little disturbing to anybody who was interested in the possible construction of the remaining end of this line, because we are interested. In other words, if it is even a "break-even" proposition, in which the railroad would neither lose nor gain, it puts a totally different complexion on it than if it is a proposition where the railway is definitely going to lose. There are just one or two more questions.—A. May I interrupt at this point? I think we are a little at cross purposes. We know that we are going to take an overhead cost on the line from Chibougamau to St. Felicien, an overhead cost representing the interest on cost of construction and the fixed maintenance on the property. I suppose these will be somewhere in the neighbourhood of about \$1½ million, or something of that nature. Now, you will have to find somewhere traffic, not just "break-even" traffic, but traffic that does something more than "break-even" to allow us to absorb that \$1½ million or a large proportion of it on overhead. I think we are a little at cross purposes. You were speaking of breaking even on the project as a whole. I was speaking at the level of a particular traffic, and I said that it would not contribute anything to the overhead. And because it would not contribute anything to the overhead, we could not give it credit.

Q. I am sorry that I do not know more about railroad operation, Mr. Fairweather. However, to get my own thinking straight on this: When you think in terms of a rate for the transit of pulp from the Consolidated Paper Mills that would be competitive with the current cost to Consolidated, when you calculate that rate, so to speak, are you purely allowing for such things as the actual transit cost, when you say there would be no profit in it, or are you allowing there for a certain loading, you might say, of a portion of this million-odd dollars of which you speak?—A. No, what we call the "bare bones" out-of-pocket.

Q. Assuming that the line was built, assuming that you carried all the pulp of Consolidated, you would probably recapture about the cost of operating those trains, including coal, wages and things like that, and at the moment you would feel that there would be no surplus whatever over the direct costs?—A. As competition with stream driving in that area, I think that is a fair statement.

Q. Is there any reason to assume that in the immediate future—and let us define immediate future as the next five years—it would become advisable for Consolidated to ship by rail instead of continuing the stream drive?—A. You mean that if that should arise?

Q. Is there any reason to assume that that might arise?—A. I do not know. That would be something for Consolidated to decide. If Consolidated got tired of stream driving and offered us a rate that would enable us to make some money, we would build a railroad.

Q. The next line of questioning I would like to ask the witness, Mr. Chairman, is this: What studies has the railroad made regarding incoming traffic into the area, on the assumption that the entire line was completed? In other words, obviously we have concentrated our attention this morning on traffic which originates in Chibougamau and along the line which goes out. Also to be considered is the reverse direction of the traffic on this line. Presumably, should it originate at St. Felicien and therefore tie in with Chicoutimi, there is the possibility that there would be a considerable flow of traffic which would come up the Saguenay and be transshipped at Chicoutimi, and go over the line servicing all that area, into Noranda and other parts of Canada. What studies have been made in that connection?—A. We made the best study we could on the situation as you have envisaged it. Of course, man is fallible, and we may be wrong, but our analysis indicated that we would have an over-all loss to be absorbed in our income account of about \$1,100,000 a year.

Q. That \$1,100,000 a year, as I remember, is the same figure that you quoted me as being what we might call the carrying charges on the line from St. Felicien to Chibougamau?—A. No, the carrying charges would be a little more. I think the carrying charges—let us get our terms straight. Our fixed maintenance plus our interest on construction plus what we call the normal setup expenses of a railway, all the things we find ourselves committed to when we build a railway, I said I thought was about \$1 million or \$1½ million a year.

Q. For the— —A. For the line from Chibougamau to St. Felicien and our income loss would be about \$1,100,000. You take the difference between those—\$400,000 and you get the figure perhaps you want.

Q. In other words, your calculations have led you to the conclusion that incoming traffic would yield some \$400,000 towards the upkeep of that particular section of line?—A. Yes, from all traffic.

Q. Now, here is another question, sir. Obviously that traffic is not going to all go into Chibougamau; a great deal is going to carry on from Chibougamau around the other way?—A. If you are talking about the p feeder value, we always take the p feeder value into account. We don't just credit the earnings on the line. As long as one end of it is on the line in question we take the whole revenue. For instance, let us take a piece of mining machinery that is made down in St. Hyacinth and is shipped up to Chibougamau. We would credit to this line the whole of the revenue on that piece of machinery.

Q. So that your \$400,000 takes into account the p feeder value as well?—A. Oh, yes.

Q. A third question which perhaps is rather hypothetical at this point—let us hope so—has any thought or consideration been given as to the value of such a line, that is, the Chibougamau to St. Felicien section as useful in the event shall we say of hostilities or anything like that, almost a national defence measure. After all, there are not too many ways right now into the heart of the country. The major one goes to Montreal, which is a very sizeable seaport. If, for any reason, that seaport were out of action would this line be of any value in that connection?—A. That was never given any consideration by us.

Q. Now, another question, just to make sure that again I understood this. Would I be correct in drawing from the information you have previously given us that upon a definite plan being established by private industry for the

erection of a zinc smelter at Chicoutimi the line would automatically be built?—A. I would say under those circumstances our shoulders would be to the wheel immediately.

Q. The only thing I would add about that is that if you ever want to give up the railroad business and go into banking you can certainly have my money to look after because I gather the impression that you are doing nothing here except that which is a certainty and which is a certainty to at least break even. I don't say that in a critical manner.—A. I am glad you raised the point here and it is not correct. It just is not correct. The Canadian National—and I can speak in saying this as to policy—the policy of the company is that it will assist industry in providing transportation; it will take an entrepreneur risk. It does not want to be put in the position where it is “heads I win, tails you lose.” It is quite prepared to take a reasonable risk.

Many, many times we find ourselves in the position of spending capital for railway facilities where we have to take a very decided loss, where we have to take an initial loss in the hope of a future gain and we do that as any other sound business enterprise would do it. But being prudent administrators you have to have some sort of a guide; otherwise, we would be building railways all over Canada on everybody's wishful thinking and we would create a railway problem for the committee that would take a century to clear up.

What we are trying to do is to take a prudent position and a prudent position certainly does not extend to a position where we would incur an estimated loss of \$1,100,000 a year on a project of this size.

Now, we would not wait until that had been whittled down to a certainty before we would proceed to the building of the line. It would have to be whittled down to somewhere where it was manageable, somewhere where looking into the future losses could be recouped because we have to have regard to the little figure that comes out at the bottom of our income account.

Q. You are saying that from the picture you have given us this morning a prudent railroad administrator would commence immediately to build the line from Beattyville to Chibougamau, that he would not commence now to build the line from Chibougamau to St. Felicien?—A. Unless he got assistance from somebody.

Q. The picture you have given us of the economics of the area indicate that. At the same time you come to us through the Minister of Transport and you ask for authorization for both ends of the line. A prudent administrator would not come to us and ask for authorization to build that second section of the line unless he could foresee within the stated period, which here is ten years, that something would arise that necessitated the building of that line or advised the building of that line and what factors do you see, what factors dictate that it is wise for you to ask for authorization for both sections at this time?—A. Well, the first thing I would refer to is the whole weight of my evidence before the committee but if you would like me to supplement it I would be glad to do so. I could talk for quite a time on it because I am very development minded. I am one of those people who has the firm conviction that Canada is growing. I know the population is growing at the rate of $1\frac{1}{2}$ per cent per year. I know that her output per capita is growing at the rate of about 3 per cent per year. You add those together and you get pretty close to $4\frac{1}{2}$ per cent per year of growth trend in Canada and it is the highest growth trend for any country in the world. I know that the Chicoutimi area and the Lake St. John area is one of the bright spots in the national picture. I know there are vast natural resources lying to the west and I have every confidence that within the period asked for in this bill that conditions will arise that will bring the deficit figure that I spoke of within manageable proportions. That is why I

individually recommended this to the management of the Canadian National and it is why the Canadian National has requested the line.

Q. But this is the point I was trying to make. There is nothing that we can pinpoint in that area between Chibougamau and St. Felicien at this particular time—there is nothing we can pinpoint that might change in that particular area within the ensuing ten years to decide this. Your argument in favour of asking for this at this particular time is that the general growth of Canada will make this line advisable. I am just trying to find out whether you can see anything happening between Chibougamau and St. Felicien and Chicoutimi specifically—not this 4½ per cent general growth year by year?—A. Well, I can't add to the evidence I have already given.

Q. Thank you very much.

By Mr. Gauthier (Lac-St. Jean):

Q. Mr. Chairman, I have some questions to put before the committee and before going further I want to say this, that some of these questions have been spoken to by Mr. Fairweather before, but I want to keep my record clear and straight and if I will be permitted I will ask my questions.

The first one is this: we are told that your decision to build first the western section of the proposed line is based on traffic guarantees which you have obtained from different mining companies and other concerns. Would you tell the committee the nature of those guarantees?—A. The nature of the guarantee is this. As regards the mines they guarantee to ship 325 tons a day of ore concentrates for a period of six years and they also agree that in the event that they do not ship that, if they fall down on their job, that they will pay to the Canadian National an amount equal to one-third of the freight rate which Canadian National would have normally had had the goods been shipped.

Now, in the case of the Howard Smith people, they made a contract to ship 30,000 cords of pulpwood a year from east of the Bell river with the proviso that if they failed to do so they would pay a penalty, I think it was, of \$2 a cord on the shortage.

There is also a proviso that if they have suffered a penalty and have subsequently recouped their position in a period beyond the six years—for another four years I think it was—if they recouped the position, the penalty would be refunded to them. You will see, contrary to those who accuse me of being a hard-boiled banker, we do not ask anything more than a reasonable deal.

Q. Did you try to secure similar guarantees regarding possible tonnage which would be transported from Chibougamau to St. Felicien or other points in the Lake St. John area?—A. We had exploratory talks with the people who were in position to ship large quantities but in view of the statements made there was not any prospect of making a guarantee.

Q. Would you indicate, Mr. Fairweather, the names of the companies which were contacted?—A. Well, east of Chibougamau we got in touch definitely with Consolidated Paper and the St. Lawrence Corporation. They are the two big shippers.

Q. Do you have any information of the possible tonnage which will be transported from the present terminus in St. Felicien to the Chibougamau mining area?—A. Just what do you mean by that—supplies going in?

Q. Yes.—A. At the present time they go in by truck. They are trucked in from St. Felicien.

Q. The total tonnage in the future?—A. Well, the area around Chibougamau is going to engender some inbound supplies because everything the people eat

and wear and a large part of their fuel will have to be carried in there. There is about 25,000 tons of inbound traffic a year.

Q. Can you tell the committee if Le Conseil d'Orientation économique du Saguenay or other public bodies in the Lake St. John area in their representations to the Canadian National Railways have mentioned the names of companies which will be ready to give similar traffic guarantees as those given by companies interested in the western section?—A. I don't know that.

Q. Mr. Fairweather, my last question is this: I want to put a straight question and I want too a straight answer.

Hon. Mr. CHEVRIER: Well, you will get that.

By Mr. Gauthier (Lac-St. Jean):

Q. If the Canadian National Railways was to obtain comparable tonnage guarantees for the St. Felicien-Chibougamau branch to those already obtained for the Beattyville-Chibougamau branch of the proposed railroad, can the vice-president tell me if his company would then be prepared to start the construction of the St. Felicien-Chibougamau branch immediately?—A. The answer to that would be in the affirmative. If we could get enough traffic guaranteed by responsible people—now, let me make this clear because you wanted a straight answer; we are not talking in generalities, we are talking in particularities—it would mean that people of means whose word was enforceable at law against any default—if they will put their names to a contract saying that they will do thus and so at rates that will yield us commensurate returns to the rates that we obtain on the Beattyville section, in other words, if we could see a guarantee of traffic at such volume and at such rates as will reduce the large deficit position to controllable proportions then under those conditions we would build the line.

Q. In other words, Mr. Fairweather, your answer is yes, is it?—A. It is yes in the form I gave it.

Mr. McIVOR: Mr. Chairman, I don't want to hurry you, but we have heard today just what has proved the statement of the minister in the House that the Canadian National Railways is willing to build a railroad from Beattyville to Chibougamau because it will pay. They are not ready to build the other railroad because they think it will not pay until it gets more industries or until the zinc smelter is built. I don't know what the other members think, but I think I have all the information I need to vote.

The CHAIRMAN: Shall clause 1 carry?

Mr. GAGNON: I move, seconded by the member for Notre Dame de Grace, that this clause be amended by changing the period at the end thereof to a comma and by adding thereafter the following words:

provided, however, that the construction of sections A and B of Branch Line Number 1 shall be undertaken at the same time.

The CHAIRMAN: You have heard the motion.

By Mr. Hahn:

Q. Mr. Chairman, Mr. Fairweather's statement in answer to one or two of these questions causes me to ask this question. Did I understand this correctly, Mr. Fairweather, that a copper smelter is being built at Chicoutimi at the present time?—A. It is under development.

Q. How long do you suppose it will be before it is fully developed?—A. I couldn't say, but I think the promoters say they anticipate having it in operation in 1957.

Q. You have not approached the firm?—A. Oh, yes, we have had talks with them. I think I can be safe in saying this, that any industry anywhere in Canada that has any plans talks to the Canadian National if they are served by the Canadian National.

Q. Then, further to that and in the light of all the evidence that has been given would it now not appear that since there is a smelter going to be a reality that there should be some guarantee given that this rail line will be built because certainly if you have a smelter there they could develop the Chibougamau minerals in that area at Chicoutimi?—A. You see, the only mines that are producing at the present time have given a guarantee based on Noranda.

Mr. ELLIS: Mr. Chairman, with respect to the—held by construction of the—branch—

The CHAIRMAN: Order, gentlemen, we cannot hear the question.

Mr. ELLIS: I was just asking whether the passage of this amendment would have the effect of holding up or delaying the construction of the Beattyville-Chibougamau branch?

Hon. Mr. CHEVRIER: If that question is directed at me the answer I would have to make is this: that the economics have been clearly explained by the vice-president for industrial research of the Canadian National Railways and they have been equally accepted by the government and the position of the government has been made clear in the House by the minister. In other words, I do not think I can change the position. I would have to indicate that this amendment could not pass so far as we are concerned and I would have to oppose it.

Mr. HAHN: Mr. Chairman, following through my earlier question, where would this copper smelter in Chicoutimi expect to get its materials from if this branch line is built to Beattyville?

Hon. Mr. CHEVRIER: Do you want to deal with this on the amendment? I understood that the questions were completed on this and perhaps we should get this over with and go on to something else.

Mr. HAHN: I think it has a definite bearing on the amendments and that is what I am speaking to. Since actually this plant that is being built in Chicoutimi is going to depend on minerals that come from the Chibougamau area. Where does that plant expect to get its materials from unless the branch line from Chibougamau to Lake St. John is built?

The WITNESS: May I answer, Mr. Chairman?

Mr. HAHN: Surely.

The CHAIRMAN: Yes.

The WITNESS: The question is where will this smelter get its concentrates from if the branch from St. Felicien to Chibougamau is not built; is that the question?

Mr. HAHN: Yes.

The WITNESS: Well now, in the first place, the people who are interested in developing this smelter also have a nickel-copper prospect which is being developed into a mine and it is located about forty miles from Montmagny on the south shore of the St. Lawrence. They propose to take these concentrates and either rail haul them into Chicoutimi or take them by water into Chicoutimi. In addition to that, they propose to operate a customs smelter and they would expect to draw nickel concentrates from wherever they could get them. There are various nickel properties in Canada that are not controlled by either the International Nickel Company or the Falconbridge mines or by Sherritt-Gordon and they would anticipate getting some of those concentrates. Moreover, an associated company of theirs has a nickel prospect

which is located out in northwestern Ontario in back of Minaki and they feel they will possibly get concentrates from there.

Mr. HAHN: The reason I ask the question is that I want to make it perfectly clear that I am not opposed to building a line from Beattyville to Chibougamau. I realize that is a necessity, but I do not like these dead end lines. I have had two unfortunate experiences with them. Incidentally, they were not Canadian National Railway lines, but it is not good business and I feel if there is a chance to finish the circle that it should be finished.

Mr. BYRNE: I think the over-all development plan is excellent for this particular area and Mr. Fairweather has mentioned that there are possibilities of large flows of zinc concentrates to the St. Lawrence, but do you not think at the present time, Mr. Fairweather, that due to the depressed marketing conditions of zinc there would not be any immediate urge to develop a zinc smelter at that point? That is, there would be no immediate necessity for a continuation of this line so far as zinc is concerned?

Mr. GAUTHIER (*Lac-St.-Jean*): Mr. Chairman, before going to vote I want to clarify my position on this motion. I will vote for the motion because I want to be consistent. Twice in the House of Commons I asked for the immediate construction of that part of the line and I want to say that I have great confidence in the policy of the government and I am sure that this line will begin within a year. I am sure of that.

Mr. GREEN: Could we have an answer to Mr. Byrne's question? He asked a question in which I am very much interested.

Mr. BYRNE: My question was this: does Mr. Fairweather feel there is any immediate need for the development of a zinc smelter at this time due to the present depressed conditions?

The WITNESS: Well now, if you can look at this thing from the point of view of need, the lower the price of zinc goes the more important it is you have a zinc smelter because you will see, if you think it through that the transportation component in transporting the zinc concentrates to the smelter assumes greater proportions as the zinc goes down so if we are to keep the zinc industry alive in Canada it is more important than ever in a period of depressed zinc prices that we have a smelter. Now, we must not confuse that picture, which is a development picture, with the ability to interest private capital at a time when the price of zinc is down, but from the point of view of development the lower the price of zinc goes the more important it is to Canada that we have a zinc smelter.

Mr. BYRNE: I understand that, Mr. Chairman, but I do know at the present time there are large quantities of zinc that have been refined right here in Canada and I do not think a \$25 million development would be anticipated at this time so there is no immediate need for a continuation of the railway having full regard to the overall development picture.

The WITNESS: I do not know if I would agree.

Mr. CARTER: I wonder if the Board of Transport Commissioners could tell us where they come into this picture. If we authorize the construction of the full line at both ends will the Board of Transport Commissioners have to authorize it?

The Hon. Mr. CHEVRIER: No, parliament alone authorizes the construction of new lines but once they are discharged they come under the jurisdiction of the Board of Transport Commissioners.

Mr. VILLENEUVE: What annual wood transport would the Canadian National Railways require to justify the building of the section from St. Felicien to Chibougamau immediately?

The Hon. Mr. CHEVRIER: The witness has answered that so often!

The WITNESS: I think I have answered that question and I believe it is very clearly stated in the record. I have stated quite clearly our appraisal of the present situation and all we ask is that our estimated results keep within manageable proportions. That is all we ask.

Mr. BOUCHER (*Restigouche-Madawaska*): There is so much emphasis on the great possibility of the construction of a zinc smelter at Chicoutimi and you said your personal opinion was that the "natural" place to build the zinc smelter was at Chicoutimi. You did not mention any other place; for instance New Brunswick or Gaspé Bay where there is a lot of mining. Would that mean that if you were consulted you would still recommend Chicoutimi in preference to any other place in Canada?

The WITNESS: You know that I am a new Brunswicker by birth!

By Mr. Green:

Q. I am not quite clear concerning Mr. Fairweather's explanation of this potential copper smelter in Chicoutimi. Has that got any further than the talk stage?—A. I of course only have what the interests have told me and what I have read in the press. I would say it has gotten quite a distance beyond the talking stage. I think they are actually laying their plans to build nickel-copper smelter or refinery I guess would be more correct—in Chicoutimi. The location is the old Price Brothers factory right in the centre of Chicoutimi.

Q. In this section there is a provision that the Governor in Council may provide for the construction and completion "in whole or in part" by the Canadian National Railway in this Act called the company prior to the 31st of December, 1964 or such later date as the Governor in Council may fix. Now, have you any other enabling bill which contains those words "in whole or in part"?

Hon. Mr. CHEVRIER: I think that question would be more properly directed at counsel for the Canadian National Railway, Mr. Rosevear.

Mr. ROSEVEAR: Do I understand that you want to know if there is any other legislation using that expression?

Mr. GREEN: Yes.

Mr. ROSEVEAR: That expression is used in the Railway Act and I think I can give you the reference to it. Perhaps you should proceed and I will endeavour to locate it in a moment.

Mr. GREEN: I have here the statutes authorizing the building of the Terrace-Kitimat line, the Sherridon-Lynn Lake line and the line from Barraute to Kiask Falls and in none of those statutes do we find this provision "in whole or in part". I would like to know whether there is any other reference to it in any bill?

Mr. ROSEVEAR: It is referred to in section 153 of the Railway Act. I would have to give you the Act in order to show you the exact wording but the expression "in whole or in part" is used in that section.

Mr. GREEN: What has the Railway Act got to do with this?

Mr. ROSEVEAR: I thought you wanted to know if the expression was used anywhere else in legislation. I looked it up myself when the bill was being drafted and I found that the expression was used in the Railway Act.

Mr. GREEN: But this has to do with authorizing the construction of a railway and has nothing to do whatever with the Railway Act. That is, it sets out that the Governor in Council may authorize the construction of the whole of this line or any part of it. Now, I would like to know whether there is any other enabling statute providing for the building of a branch line which contains that provision?

Mr. ROSEVEAR: At the moment I do not know of any other. I suppose parliament in its wisdom can authorize either the whole or part of the branch line in the same bill, but I do not know of any other branch line bill at the moment where that expression does occur, but I do know it occurs in the Railway Act.

Mr. GREEN: The effect of including that provision in this section is that the Governor in Council need not authorize the construction of the whole of this line? He can authorize construction of only part, is that not correct?

Mr. ROSEVEAR: I think that is correct, and I think that is the point that was made, that the western end would be built first and then the eastern end.

Mr. GREEN: Let us go a step further. Under the terms of this section, the eastern end need not be built at all?

Mr. ROSEVEAR: It need not be built at all.

Mr. GREEN: There would be a compliance with this section 1 if the eastern end of the line were not built at all?

Mr. ROSEVEAR: I would not say that. I would say that is a matter of policy. I would not like to get into that. I am sure that there is every intention to build that part of the line.

Mr. GREEN: I am not asking about the intention. I am asking you whether the government would not be in full compliance with the terms of section 1 if it never authorized the building of this part of the line?

Mr. ROSEVEAR: I think that the answer to that is "Yes", because if no order in council was issued to build it, it would not be built.

Mr. GREEN: And the government would be acting under the terms of this section?

Mr. ROSEVEAR: That is right.

Mr. GREEN: And then there is this provision that the date by which it must be built is set 10 years from this December; in other words, 31st December, 1964. Have you had any other enabling statute which set a time so far ahead as that?

Mr. ROSEVEAR: I do not know of one.

Mr. GREEN: Going back to the Terrace-Kitimat line, I notice it had to be finished by the 1st November, 1954, which meant construction right away.

Hon. Mr. CHEVRIER: It was a short line, about 45 miles, was it not?

Mr. GREEN: The Sherridon-Lynn Lake line had to be built by 1st November, 1953.

Mr. ROSEVEAR: Might I interrupt? The Lynn Lake line had to be built in accordance with the contract made by Sheritt Gordon Mines Limited. It had to be finished by a certain time.

Mr. GREEN: The Lynn Lake statute did not refer to any contract.

Mr. ROSEVEAR: There is a contract by which we had to build the line.

Mr. GREEN: In addition to that it is set out in the statute when the line had to be built?

Mr. ROSEVEAR: That was the date that they undertook to finish it.

Mr. GREEN: The Barraute-Kiask Falls branch line construction had to be finished by 31st December, 1950. I do not suppose the C.N.R. officials are contending that it is going to take 10 years to build this line?

Hon. Mr. CHEVRIER: But they do not want to come back to parliament.

Mr. GREEN: How long will it take to construct these two—the eastern section and the western?

Hon. Mr. CHEVRIER: Five years?

By Mr. Green:

Q. If the construction were under normal conditions?—A. It is a question as to whether they were built concurrently.

Q. Yes.—A. Then I would think a reasonable prospect would be three years.

Q. That is, if you started to build from both ends. How long would it take to build the western end?—A. About 2½ years.

Hon. Mr. CHEVRIER: May I ask a question?

Mr. GREEN: Yes.

By Hon. Mr. Chevrier:

Q. How long would it take to build the eastern part if you continued from Chibougamau to St. Felicien after that?—A. Adding it to the other?

Q. Yes.—A. About two years.

Q. About 5½ years altogether?

By Mr. Green:

Q. The actual construction of the eastern branch would take how long?—A. About two years.

Q. It could be built more quickly than the western?—A. No, I would not say that. If you were to build it de novo. I realize it is easier to build a railway when you have access at both ends rather than if you have access only at one end, and I allowed in my answer for that condition. If you built them de novo, it would take about the same time, about 2½ years in either case.

Q. That would be the normal time required?—A. That would be accelerated, I would say. Two years and six months, I think, would see a line built, either of them.

Q. So if these were being done in the way in which the other branches were provided by legislation, the year set in the first section of the Act would be, say, 1956 or 1957?—A. Was that a question for me, sir?

Q. Yes.—A. What was your question again?

Q. If this line were to be built in the ordinary way such as the others I have mentioned, the year set in the first section would be 1956 or 1957 rather than 1964?—A. Now, I will have to qualify a little in my answer. The Canadian National Railway is tied up to the construction of the line from Beattyville to Chibougamau by contract. We are under obligation to build that as fast as we can. If we try at the same time to build the line from St. Felicien to Chibougamau, we are going to overstrain our resources and we will delay the construction of the line from Chibougamau to Beattyville. How much that delay would be is a matter for judgment, but I imagine that it would probably be at least six months. But if your question is having regard to the contracts that we have entered into subject, of course, to the approval of parliament, if we should build the St. Felicien-Chibougamau line as quickly as we can, I would say it would probably result in the line in its entirety being built in a matter of about five years.

Q. Not if they were built concurrently?—A. No, but we are under obligation to build the western end as fast as we can. If we are honest people, we cannot take some of our effectiveness and put it somewhere else. We have to live up to our reasonable promises that we made to these people. They said, "We will guarantee you traffic, providing you guarantee to give us a railway as fast as you can", and that is the position we are in. If you say to us that you have to build the line to St. Felicien at the same time you put us in a position where we more or less fall down on our contract with the mines. How much delay it would be is a matter of judgment, but I think there would be some delay.

Q. Would you finish the two of them inside three years?—A. If we built them concurrently and gave special preference to the line from Chibougamau to Beattyville, I would say I do not know. For any figure short of 4½ years, I would have to give it serious thought and consult with the technical officers of the company.

Mr. PURDY: Have you any information on branch line No. 2 for the committee?

Hon. Mr. CHEVRIER: I think that is important and that we should deal with it. You are referring to the Ontario Line. I think we should study it. If the discussion is complete on this Quebec line, then I think we should undertake a discussion of the other line and perhaps we could adjourn with that thought in mind.

Mr. HAHN: In the contract was there any understanding given respecting the completion of the line, or that the contract would not be binding if the two are not built concurrently or anything like that? There is nothing in the contract which says one line must be built before the other?

The WITNESS: The understanding we have is that if they would guarantee the traffic we would build a line as fast as we could.

The CHAIRMAN: We shall now adjourn until 3 o'clock when we will take up the Ontario line.

Mr. NICHOLSON: I thought we had already had quite a long discussion. They have given us a pretty good description and I do not think we would want to hold it up over the week-end. I am agreeable to meeting at 3 o'clock, but could we not dispose of it this morning?

Hon. Mr. CHEVRIER: I would be all for it, if we could dispose of it this morning.

Mr. GREEN: We have got to hear something about the Manitouwadge Lake line; there has not been a word said about it today.

Hon. Mr. CHEVRIER: It is a very profitable line and I do not think there was much discussion about it in the House.

Mr. GREEN: Could we not meet at 3 o'clock?

Hon. Mr. CHEVRIER: Whatever the committee wants. Is it the wish of the committee to go ahead with the Ontario line at this time? I do not think it would take very long.

Mr. GREEN: Do you mean to propose that we sit through the lunch hour?

Hon. Mr. CHEVRIER: I do not think we should, but a discussion of the Ontario line should not take very long.

Mr. GREEN: The bill can not possibly finish by 2 o'clock, even if we do continue to sit now. Why should there be an attempt to put pressure upon us? I cannot understand it.

The CHAIRMAN: Well then, we shall now adjourn until 3 o'clock.

AFTERNOON SESSION

FRIDAY, May 21, 1954.

The CHAIRMAN: Gentlemen, we have a quorum.

I understand now we are going on with the Ontario end of the bill. I will call Mr. Fairweather.

Mr. S. M. Fairweather, Vice President in charge of Research and Development, Canadian National Railways, recalled:

The CHAIRMAN: Are there any other questions.

Mr. GREEN: I think Mr. Fairweather should explain it.

The WITNESS: I have here a map showing the portion of Ontario in which the Manitouwadge mining discovery has been made and also the Canadian National Railway lines. Manitouwadge's discovery was made at a point about 25 miles south of the Canadian Northern line between Hornepayne and Longlac. When we received information about the discovery, as is our usual practice we got in touch with the mining people who were developing the property and as we watched the development of it it became apparent that the Manitouwadge discovery was one of the larger mining discoveries made in this section of Canada. It is a very large ore body of medium grade. It is zinc-copper ore and it is at the present time at that stage where the interests that control it are busy finding out how big a body they have so they can make their plans as to the size of the mill they propose to build and how big a mine they would have and matters of that sort.

We have worked cooperatively with them and as I explained this morning we went to them and asked them what their plans were. They have shown us enough information to convince the Canadian National Railways that this is really a large mine in the making.

This property will, if furnished rail transportation by the branch line for which we are now seeking authority, likely send its copper concentrates to Noranda for smelting. Of course, there can be no certainty of that at this time, but in our discussions with these interests the possibility of their copper being refined at Noranda was taken into account and of course in all of these matters where there is commercial competition Noranda smelters would have to make an attractive proposal to the mining interests. We are anticipating that the copper concentrates would move from Manitouwadge over the proposed branch line to Hillsport, would then move a short distance westward to Longlac, then up to Nakina, and then travel east to Tachereau, and from Tachereau down to Noranda, and from that point the anode copper would move to Montreal for treatment.

We are so satisfied with the size of the property and with the obvious need for transportation that we have decided to ask the government to authorize the construction of this line from Hillsport to Manitouwadge. In addition to the mining discovery at Manitouwadge there are prospects that are being developed. There are indications that there will be more than one mine in that area. Property of that size capable of operating at a tonnage that we were told was at least 4,000 tons of ore a day makes it a foregone conclusion that this line has every prospect of being a profitable branch line. We, of course, have still to negotiate the terms. The mining company does not know exactly yet where it is going to place its shaft or where its mill will be located. But, it is so important that transportation be made available by the time that they decide to go ahead with their mill that we seek authority at this time so that when we have assured

ourselves that the mine has its financing arranged and its plans made we will be in a position to furnish transportation so that the heavy mining machinery and building machinery can move in over the railway.

That is about all, Mr. Chairman, I have to say.

By Mr. Green:

Q. What other metals are produced at that mine?—A. Well, at the present stage you would not call it a mine. It is, let us say, a prospect. The ores are copper, zinc, and they carry some silver. That is all.

Q. Is that characteristic of the mineral bearing ores in that whole district?—A. It is characteristic of one type of them. It is a complex zinc-copper ore with some silver.

Q. Where do you expect the zinc to go?—A. The zinc is a matter that is problematical. Of course, if a zinc smelter is built at Chicoutimi it probably will go to Chicoutimi, but failing that the zinc concentrates would probably move to one of the United States smelters, or possibly they might move out via the St. Lawrence River out to the sea and go overseas.

By Mr. Nicholson:

Q. How far is that from the C.P.R.?—A. The Canadian Pacific line is to the south about 35 or 40 miles.

By Mr. Green:

Q. Is there any talk of the Canadian Pacific building a branch line?—A. I would not know that. I am looking after the Canadian National interest.

The CHAIRMAN: I think if there are no further questions we could hear from the minister.

Hon. Mr. CHEVRIER: I have no statement to make other than what I have already said. Perhaps we could consider the bill clause by clause.

The CHAIRMAN: Clause 1.

1. The Governor in Council may provide for the construction and completion in whole or in part by Canadian National Railway Company (in this Act called "the Company") prior to the 31st day of December, 1964, or such later date as the Governor in Council may fix, of the lines of railway (in this Act called the "railway lines") described in the Schedule and referred to therein as Branch Line Number 1 and Branch Line Number 2.

Mr. GREEN: There is an amendment to clause 1.

The CHAIRMAN: There is an amendment on clause 1.

Hon. Mr. CHEVRIER: I would like to say a word to this amendment if I may. I have looked at the amendment carefully and I feel satisfied, for what my opinion is worth, that it is out of order for the following reasons. First, because it would destroy the first part of the clause. The clause reads:

The Governor in Council may provide for the construction and completion in whole or in part by Canadian National Railway Company etc., etc.

In other words, the first part of the clause authorizes the Governor in Council to build the line in whole or in part. The amendment adds, "provided, however, that the construction of section "A" and section "B" of branch line No. 1 shall be undertaken at the same time", so that in the first part of the clause we give the Governor in Council certain powers which are whittled down in the second part.

Then the next reason for its being out of order is that it is inconsistent with the clause as a whole. If the Governor in Council is to have the discretion

to build the line in whole or in part, then he cannot undertake to build both at the same time. Then he does not have the discretion, and therefore it is inconsistent.

The third reason, which I think is fatal to the amendment after the evidence that has been given here this morning is that it will require a greater amount of money to build this line if that amendment is added than it otherwise would, because Mr. Fairweather has clearly said that if you build the two ends at the same time they will cost the Canadian National Railways more money than it will to begin at Beattyville and go to Chibougamau, than to complete that end and begin at the other. So I as minister would have to go back to parliament, if that amendment goes through, and introduce legislation asking for a further commitment of public funds to the extent to which it will cost the Canadian National Railways more money than it otherwise would.

Now, during the recess I consulted with the counsel for the House, who is generally consulted on these matters, and he assures me without any doubt that this amendment is out of order. So for that reason I bring it to the attention of the committee.

Mr. GREEN: Mr. Chairman, I am afraid I cannot agree with the minister that the amendment is out of order, quite apart from the merits of the amendment itself. It is the first time that I have ever heard that it is out of order to try to whittle down the government's powers. That is a new rule for the House and for a committee, and if we cannot do that there is not much use in our being here. Then he says that the amendment is inconsistent with the clause. I suggest that if that is the case it would be dealt with by the way a person votes. If he thinks it is inconsistent he should vote against it, and if I do not think it is perhaps I should vote for it. I really do not think that there is any ground for ruling this amendment out of order on either of those two submissions.

As for the third reason, there again I do not think Mr. Fairweather said very clearly that it would cost more to build from both ends at once. My understanding is that it would be cheaper to build at both ends, and even if it were more expensive that certainly does not prevent this committee from voting for or against an amendment of this type. If the amendment carried, then the government would, of course, have to take the necessary steps in the House, and if the government did not wish to approve the amendment it would presumably be voted down.

Hon. Mr. CHEVRIER: We would still have to go back to the House on a resolution.

Mr. GREEN: There is no harm in a committee going back to the House.

Hon. Mr. CHEVRIER: We would still have to go back to the House on a new resolution.

Mr. GREEN: Incidentally, the minister has in his bill a ceiling of about \$7 million over the amount he asked in the resolution. I do not think there is any doubt that that would be far more than would be required to meet any increase in cost. I am still going to ask for an explanation as to how he got the \$44 million. It is more than before.

Hon. Mr. CHEVRIER: This would increase it still more.

Mr. GREEN: I think the committee should deal with this question on its merits. May I say that I think that Mr. Fairweather is the one who has not been very consistent, because he started off by saying that this project should be treated as a whole. He is very strongly in favour of the project being treated as a whole. That means a line from Beattyville to St. Felicien. Then he went on to explain that for the present the western end of the line would

pay, that is from Beattyville to Chibougamau. Then he did not think that the other end would pay for the present time, and he expressed the view that the Canadian National Railway wants the eastern end built as a development project, and he went on to explain what he meant by development.

He said he had in mind a zinc smelter at Chicoutimi, and I think that is a splendid objective. I was very pleased to hear him say he expected to have zinc ore or zinc concentrates taken to Chicoutimi over a distance of, I guess, about a thousand miles. That would certainly be a great help for the whole nation of Canada, and he stressed that he thinks that Chicoutimi should be one of the great harbours of Canada, and it is already a national harbour as a matter of fact. He said just a minute ago that he has a great dream of a zinc industry at Chicoutimi. It is certainly going to be nothing but a dream if this branch line is not built from Chibougamau to St. Felicien. I do not believe that there is the slightest chance of any company building a zinc smelter at Chicoutimi if the line is not built from St. Felicien to Chibougamau. I do not believe it will be possible to get anybody to go in there and spend money, \$25 million or so, on smelting if this branch line is not going to be built.

With the great power resources of the Lake St. John, Saguenay and Chicoutimi area—I am not sure of this, but I guess perhaps the greatest in the province of Quebec and one of the greatest in Canada—there is a background there for a very large industrial development, of which the zinc smelter would be only a part. Chicoutimi is a seaport. There would be none of this business of going all around hundreds of miles by rail before you get to some other seaport. The Chibougamau area now is tributary to Lake St. John. A highway goes in from Lake St. John and supplies go in that way and ore is coming out that way, I understand, and if there is only one line built, the western section, it is perfectly obvious that Chibougamau will be no longer tributary to the Lake St. John area.

I do think that the two sides of this triangle, that the two lines should at least get away to an equal start. If it turns out that all the business is going to the western branch—and we cannot then do anything about that—but I am afraid that in the way this has been set up to us today there is not the slightest chance of anything getting down to St. Felicien or the Lake St. John, Saguenay, Chicoutimi area.

For those reasons, personally I think that the amendment or some similar plan should be given further consideration and that the project should really be treated as a project and not, as it actually has been treated today, as half a project now and the other half perhaps three years or five years or even ten years from now, and with the bill so drawn it might never be built at all.

Those words in that section to which the minister just referred “in whole or in part” make it very clear that if the government sees fit this eastern branch need never be built at all, and still there would be full compliance with the section.

By Mr. Gagnon:

Q. Mr. Chairman, may I say that the principle of this bill is to build a railway in two sections. It is exactly what I asked in the amendment that I moved and I do not think the timing of the construction of the two sections can make this amendment out of order. I want to know according to what rule you declare it out of order? It does not involve the spending of more money than is already indicated in the bill, and I think we are entitled to know according to what rule you declare this amendment to be out of order. You say

you have spoken to the counsel of the House during the recess. I did that myself—I consulted the authorities and they assured me that my amendment was in good order.

Hon. Mr. CHEVRIER: You did not consult the right authorities, that is the difficulty! However, I think the honourable member is entitled to know why his amendment is out of order and I would ask my parliamentary assistant to deal with the point at issue.

Mr. LANGLOIS (*Gaspe*): Mr. Chairman, speaking to the point of order and in support of what the honourable minister has said, I shall quote from Beauchesne's third edition of parliamentary rules and forms the following citations:

In support of his first argument to the effect that the proposed amendment was a negation of the first part of the clause to which the amendment applies, the minister in making this point of order drew the attention of the committee to the fact that the first part of the clause gave the Governor in Council the discretion of providing for the construction and completion of the project either in whole or in part, while the amendment proposed by the honourable member for Chicoutimi had the effect of directing the Canadian National Railways and the government to build the two sections of that line, the Chibougamau-St. Felicien section and the Chibougamau-Beattyville section at the same time. I shall quote citation number 339 of Beauchesne at page 136 of the third edition of parliamentary rules and forms:

An amendment proposing a direct negative, though it may be covered up by verbiage, is out of order.

In connection with the contention that the amendment is inconsistent, I wish to quote citation number 344 at pages 136 and 137 of Beauchesne's parliamentary rules and forms, third edition, and I quote:

344. It is an imperative rule that every amendment must be relevant to the question on which the amendment is proposed. Every amendment proposed to be made either to a question or to a proposed amendment should be so framed that if agreed to by the House the question or amendment as amended would be intelligible and consistent with itself.

The law on the relevancy of amendments is that if they are on the same subject-matter with the original motion, they are admissible, but not when foreign thereto. The exceptions to this rule are amendments on the question of going into supply or ways and means.

I shall also read part of citation number 346 as contained on page 137 of the third edition of Beauchesne's parliamentary rules and forms:

The Speaker ruled it out because (a) the portion of the amendment which approved the Agreement was useless as it suggested no change in the main motion, and also, (b), an amendment to disapprove what the main motion approves is nothing but an expanded negative.

Now, as to the contention that the amendment contained in itself a greater commitment, I do not think it is necessary for me to quote standing order number 60 and the relevant sections of the British North America Act dealing with money bills, etc . . . I refer here to section 53 and subsequent sections. From the evidence given this morning by the vice-president of the railway company, it was amply demonstrated that this line between Chibougamau and St. Felicien would incur a yearly deficit of approximately \$1 million. Therefore, if we direct the authorities to build this line right away at the same time they build the other section of the line from Beattyville to Chibougamau, we are in fact either asking the Canadian National Railway to

absorb the deficit of \$1 million or we are asking the government to introduce at some later stage a resolution to cover the deficit by a subsidy and in that way the amendment contains a greater commitment than that envisaged in the legislation before the committee.

Mr. GREEN: On this point of order, Mr. Chairman, dealing first with the argument that this amendment is a direct negation of the paragraph which it seeks to amend, that obviously is incorrect because if it were true it would say they could not build any line at all.

Mr. LANGLOIS: It is a negation of the discretion.

Mr. GREEN: This amendment does not do that at all. It simply provides that with regard to one of the lines—and remember there are two lines covered by this bill, the one in Ontario as well as the one in Quebec—the amendment simply says in regard to the Quebec line that the two sections must be started at the same time so obviously the amendment is not negative of the paragraph itself.

And then my friend argues that is not relative—

Mr. LANGLOIS: —not consistent.

Mr. GREEN: It is directly relative. It is simply a proviso added on to the paragraph which reads:

Described in the schedule and referred to therein as branch line number 1 and branch line number 2, the first one being in Quebec and the second one in Ontario. The amendment simply adds: Provided that construction of (a) and (b) should be undertaken at the same time. It is simply adding a condition to the construction of the Quebec branch line.

And the third one concerning meaning an increase in money, I now see, since we have heard this argument that what the minister was trying to get at is based on a possible deficit after the line is built.

Hon. Mr. CHEVRIER: I did not even mention that!

Mr. GREEN: That is the argument the parliamentary assistant has made.

Hon. Mr. CHEVRIER: Both arguments are good.

Mr. GREEN: Certainly the argument presented by the parliamentary assistant is completely fallacious, because he is only referring to any possible deficits after the line is built, and that has got nothing to do with the cost of construction of the line. This bill does not pretend to deal with the operating cost but only with the construction of the line. There is set out in the schedule the amount that can be spent: \$17 million on each of the eastern and western branches in Quebec, and \$1 million—apparently there is to be a common line for a short distance, plus \$3,750,000 for the Ontario line; and in addition to that, the bill provides a leeway of 15 per cent, so that a possible loss in operating has not got the remotest connection with this bill. Therefore the amendment cannot be ruled out of order on the ground that the government is going to have to find money to meet a deficit. There may be a deficit on the western line. Nobody knows; or on the Ontario line; and if my friend's argument is correct, the whole "works" may be out of order.

I submit it is ridiculous. I submit that on not one of three points should the chairman rule this amendment out of order; and I hope that he will not rule this amendment out of order on some technicality but just let it be carried to a vote. Let us see how the committee feels about the question. That is the ordinary democratic way of settling these questions, not by having a amendment ruled out of order.

Mr. NICHOLSON: Mr. Chairman, I find myself in a difficult position. I feel that I should protest against this type of legislation. I think that the vice-president has given us a very good case, indicating that one section should be

built. Possibly he should not ask for money for the building of the other section. But I think it is a bad principle for us to build railways by order in council. I think the building of a branch line—particularly one to cost \$17 million—is of sufficient importance to go before parliament in a bill; and I would suggest that since at this stage the government does not plan to proceed with one section at this particular time, that that section be withdrawn.

Parliament is very co-operative in providing funds for the Canadian National Railways for any legitimate project; and since the vice-president has made it very clear that construction of this line will not proceed before parliament meets again, I submit that one section could be withdrawn and that legislation could be brought in before it is proposed to proceed with the building of the other section.

Hon. Mr. CHEVRIER: I would have to oppose that suggestion very strongly because the government did not introduce this bill without giving it very careful consideration. And consideration was taken in regard to the advice which we received from the government agency that since a portion of this line was immediately profitable, therefore we should proceed with the immediate construction of it; but that another portion of it might not at this time be profitable, although it might, meanwhile, become profitable as Mr. Fairweather has said. It may be that that would happen within a matter of months or a year; so why should we put the Canadian National Railways in the position of having to come back to parliament to get the authority such as my honourable friend suggests? It might then be that after this line is started, and after construction is begun, an agreement can be entered into with some industrial company or other development that might want to construct a zinc refinery, or some other enterprise; and then what would the vice-president of the railways have to say? He would have to say: I cannot enter into any agreement with you because I have to go back to parliament.

That was the reason why the government, after careful consideration, wanted to put the Canadian National Railways in the position of being able to negotiate an agreement. There is no intention of not building the eastern part of the line. On the contrary, the intention is quite clear and we hope it will be possible to build it soon. That is why we want the authority to do so from parliament.

Mr. NICHOLSON: But it would still result in railways being built by order in council. The whole argument presented by the vice-president this morning was that it was not a feasible proposition now. I think we should not provide for an order in council over a ten year period. I think it is a very bad procedure to be followed. And I think the building of branch lines should come before parliament when there is a proposition. The whole argument of the vice-president this morning was that this was not a feasible proposition. I must register my protest against this step because it would indicate that at some other time we might have another bill which provided for an order in council on a much wider basis.

Mr. LANGLOIS: Speaking to the amendment now, this amendment as proposed may have one of two results. The first one might be that the Canadian National Railways would build the eastern section together with the western one now and incur a deficit of \$1 million a year. The other result might be that the Canadian National Railways would wait, and not build the western section until such time that it is assured of sufficient revenue from the eastern section. By voting for this amendment we might then delay the construction of the western section of the proposed line.

Mr. DUMAS: That is it. Now, the question.

Mr. MONTGOMERY: Mr. Chairman, this morning when I listened to the vice-president I could see his point; but the more this has developed the more I cannot see it. I cannot see parliament handing over to the government the

right to decide when, where, and what money is to be spent for a railway. I do not think we should do that. I think there should be a definite proposition put before parliament and that we should be asked to vote on it, either for or against it.

Here we are with an amendment which also bothers me because I do not like to vote for something if I do not know it is going to pay. But at the same time if I do not favour the amendment then I am adopting and approving a principle in this legislation which I oppose. Therefore I think I would have to—if it is ruled out of order, then we do not vote—and personally I am no expert on it. However, I feel that with what little knowledge I have about procedure I cannot follow the parliamentary assistant at all in his argument that this amendment is out of order. It deals directly with the first question; it does not destroy it. It simply asks us to complete what in the first place the Act suggests that they be authorized to do. So I think I would have to vote in favour of the amendment.

Hon. Mr. CHEVRIER: May I remind Mr. Montgomery that I have just walked over and taken the opportunity to look at the former Acts of parliament having to do with the Barraute line, and the Kitimat-Terrace line, and the Lynn lake-Sherridon line which were passed by parliament before the hon. gentleman was here, and when the hon. member for Mackenzie was here, and the wording is exactly the same as in this bill. It reads:

That the government may provide for the construction of and completion by the Canadian National Railways of such and such a line—
So there is nothing novel in the method by which we are proceeding because it has been done that way for thirty years.

Mr. GREEN: There are two differences, however, in that in the bill now before us we have the words "in whole or in part."

Hon. Mr. CHEVRIER: Yes.

Mr. GREEN: And we have also the potential delay of ten years.

Hon. Mr. CHEVRIER: But that was not the point made. It was said that we should not authorize the government to do this. But we have been doing it that way for thirty years, in authorizing the Governor in Council to begin construction; and the Canadian National Railways cannot begin construction of this line until and unless it is authorized by order in council so to do.

Mr. NICHOLSON: I have no objection to proceeding with the \$17 million by order in council. We have had a full discussion, and the vice-president has made out a good case. I have no objection to the wording and that we proceed by order in council; but not with the other section, involving \$17 million regarding the construction of a branch line which may or may not be built within the next ten years I think that a matter of that sort should be brought back to parliament before proceeding with the construction.

The CHAIRMAN: After listening to the parliamentary assistant and his explanation of this bill, and to the minister's explanation, I rule that this amendment is out of order and I declare it so to be.

Mr. GAUTHIER (*Lac St. Jean*): Mr. Chairman, before adopting this clause, as I said this morning, it was my intention to vote for the amendment proposed by the member for Chicoutimi because as you will recall I was the first to advocate on the floor of the House and on the outside that the section from Chibougamau to St. Felicien should start in conjunction with the western section.

Mr. GAGNON: You were not the first to speak on that question.

Hon. Mr. CHEVRIER: I think that the honourable member should be courteous enough to listen to what this member has to say.

Mr. GAGNON: You are not the chairman.

Hon. Mr. CHEVRIER: I am not the chairman, but I feel I should rise on a point of order. The honourable member consistently interrupted me in my remarks on this matter in the House. Mr. Gauthier has been very courteous in listening to you, and you should be equally courteous to him when he is speaking now.

Mr. GAUTHIER (*Lac St. Jean*): I was amazed at the member for Chicoutimi putting that amendment forward here because since 1949 I spoke on that question three times in the House of Commons and I was present when two delegates met me in order to meet the Minister of Transport and I might say that the member for Chicoutimi was absent at that time. I never saw the member for Chicoutimi when the delegation came to Ottawa, and since 1949 I never heard the member for Chicoutimi speak on that question, except last week. I wish to go further and I will proceed with my amendment. I have an amendment to propose, Mr. Chairman.

I move, seconded by the honourable member for Roberval, the following amendment to bill No. 442: In clause 1, line five of the bill, delete the words: "or in part". The effect of this amendment, if passed by the committee, will I think, leave some latitude to the Canadian National Railways to assess further the economic possibilities towards the building of the section between Chibougamau and St. Felicien and will assure us that the whole project, including the section between Chibougamau and St. Felicien will be completed in the near future.

Hon. Mr. CHEVRIER: Mr. Chairman, I am afraid I will have to oppose this amendment too, although for different reasons than I have opposed the amendment of the member for Chicoutimi. If you take out the words "or in part" then you are providing for the construction and completion of the whole line, and in view of the statement given by the officer of the Canadian National Railways this morning I do not think we could authorize that. It would be against the government's policy and against the railway's policy, and would mean a greater expenditure of public funds. So, for that reason I think I would have to oppose the amendment.

Mr. GAGNON: To put the record straight I think I should say to my honourable colleague from Lac St. Jean that I was with the delegation which came in here in 1948 to see the Minister of Transport.

Mr. GAUTHIER (*Lac St. Jean*): I find it strange that the member for Chicoutimi since I came here in 1949 never spoke about that question and never came with our delegation. I want to make that straight on the record.

The CHAIRMAN: Shall the amendment carry?

Hon. Mr. CHEVRIER: I have no objection to the legality of the amendment but I am saying that I would have to oppose the amendment for the reasons I gave earlier.

Mr. BOUCHER (*Restigouche-Madawaska*): Although I am not taking part on one side or the other, I must call the attention of the committee to the fact that clause 1 does not limit the time of completion to December, 1964. It says: "Or such later date as the Governor in Council may fix".

The CLERK: (*reads*) Mr. Gauthier, (*Lac St. Jean*), moves, that clause 1, line 5 of bill 442, be amended by deleting the words "or in part".

Mr. CAMPBELL: On a point of order, the argument made by the parliamentary assistant to the first amendment that there would be a million dollar deficit expected on this branch line would apply to the second amendment.

Hon. Mr. CHEVRIER: If the chairman wants to declare it out of order I am not going to interfere.

The CHAIRMAN: Shall the amendment carry?

Mr. BELL: On this second amendment, I feel "in whole or in part" does not imply that the two railways have to be done at the same time. They do not have to commence simultaneously and therefore I feel that this amendment is different and in order.

The CHAIRMAN: All those in favour of the amendment?

The amendment is lost.

1. The Governor in Council may provide for the construction and completion in whole or in part by Canadian National Railway Company (in this Act called "the Company") prior to the 31st day of December, 1964, or such later date as the Governor in Council may fix, of the lines of railway (in this Act called the "railway lines") described in the Schedule and referred to therein as Branch Line Number 1 and Branch Line Number 2.

Shall the clause carry?

Carried.

Clause 2.

2. The Company shall adopt the principle of competitive bids or tenders in respect of the construction of the railway lines in so far as the Company decides not to perform such work or any part thereof with its own forces, but the Company is not bound to accept the lowest or any bid or tender made or obtained nor precluded from negotiating for better prices or terms.

Mr. BARNETT: On Clause 1 there is one question I would like to ask. I am wondering why that phrase: "or such later date as the Governor in Council may fix" has been included in this. The witness indicated that if the developments that he saw as impossible took place and the line could be constructed in a physical sense in a much shorter time, this Act does allow the railway and the Governor in Council some considerable discretion in the way they carry through with the program which the Act provides. I am wondering if there is any real reason why, if circumstances are such, that at the end of 10 years the project has not been carried through to completion that the railway and the Governor in Council should not then at least bring the matter back to parliament before any further action is decided on it at the end of that time. I am wondering just why when the bill was drafted it was necessary to include that phrase which further extends the powers of the Governor in Council for an indefinite period.

Hon. Mr. CHEVRIER: The reason is it might well be that it would not be possible to construct a line within a period of ten years. I can think of authority which was given to parliament heretofore and because of circumstances over which parliament had no jurisdiction it was not possible to build the line within the stipulated time. I would think that if it were a period substantially beyond the ten year period that perhaps the thing to do would be to come back to parliament. That is the reason which occurs to me at the moment, unless counsel for the railway can add to that paragraph.

Mr. ROSEVEAR: I can only add one other thing, and that is that the thought crossed some of our minds that the unsettled state of the world at the present time might result in our not being able to carry this through when we intended to and therefore we thought we should take a longer period if we need it.

Mr. GREEN: Mr. Chairman, does this difficulty not arise because in the ordinary bill providing for the building of a branch line the date which is inserted is the date at which it is expected that the railway will be completed? Just in case the C.N.R. might not be able to finish it these words were put in, namely, "such later date as the Governor in Council may fix", and so on. But in this particular case we do not have a date fixed which is anywhere near.

We have a date 10 years ahead, which is a completely different situation. I am glad that the member for Comox-Alberni has pointed out that the effect of leaving these words in, "such later date as the Governor in Council may fix", is that the eastern end of the line may be delayed even longer than 10 years. The Governor in Council could hold it off for 15 years under that provision. I doubt whether those words are necessary where the actual date put in the clause is 10 years ahead.

Hon. Mr. CHEVRIER: The reason for the change in this from the other Acts is that the circumstances are different. The circumstances are not the same here as they were in the case of the Kiask Falls line, for instance. We knew where we were going to start and we knew where we were going to end. While that is true here, we are not so positive about the financial success of the line, and for that reason it may be more than 10 years before the region develops in order that the Canadian National Railway may come back to the government and say to the government after 11 years, "We have now found the necessary guarantees and we are going ahead". It is because the circumstances are different that the wording has been different in this Act.

Mr. NICHOLSON: In 10 years the minister may not be here.

Hon. Mr. CHEVRIER: I doubt it very much. Not that I want to leave; I am perfectly happy here.

Mr. NICHOLSON: If this road is not built in 10 years, I think this matter should be brought back to parliament. I think we should not give the Canadian National Railways a blank cheque now that is good for the next 50 years. There is no limitation on this at all, "or such later date as the Governor in Council may fix". I wonder if the minister would not consider striking out this clause and making it mandatory for the proposition to be brought back to parliament in 10 years' time. If it had not been built by then and had to wait 11 years, there would be no serious damage done.

Hon. Mr. CHEVRIER: I cannot agree to having those words stricken out, because careful consideration was given to the matter and they were put in because of these special circumstances.

Mr. NICHOLSON: I still move that these words, "or such later date as the Governor in Council may fix", be struck out in clause 1.

The CHAIRMAN: Those in favour of the amendment to clause 1 signify by holding up their right hands. Those against? The amendment is lost.

Shall the clause carry?

Carried.

Clause 2.

2. The Company shall adopt the principle of competitive bids or tenders in respect of the construction of the railway lines in so far as the Company decides not to perform such work or any part thereof with its own forces, but the Company is not bound to accept the lowest or any bid or tender made or obtained nor precluded from negotiating for better prices or terms.

Mr. PURDY: This has to do with the construction of the railway lines. I think the witness told us that the type of wood in this area being opened up was suitable for pulp. I was going to ask him if he could tell us what type of ties he proposed to use in this railway, what kind of cross-ties?

Mr. HAHN: B.C. fir.

The WITNESS: I do not think that I said that the wood in this area was suitable only for pulpwood. The wood in this area is a mixture of pulpwood and wood suitable for timber. There is hardwood and softwood. So far as the

ties are concerned, the ties that we would use in that territory would be jack-pine ties, and they would be cut in the territory.

The CHAIRMAN: Carried.

Clause 3.

Carried.

Clause 4.

4. Subject to the provisions of this Act and the approval of the Governor in Council, the Company may, in respect of the cost of the construction and completion of the railway lines, or to provide amounts required for the repayment of loans made under section 5, issue notes, obligations, bonds, debentures or other securities (in this Act called "securities"), not exceeding in the aggregate, exclusive of any securities issued to secure loans made under section 5, the sum necessary to provide the Company with the net amount of forty-four million five hundred and sixty-two thousand five hundred dollars, bearing such rates of interest and subject to such other terms and conditions as the Governor in Council may approve.

Mr. GREEN: On clause 4. This is the clause which provides the sum of \$44,562,500, although the total in the schedule is, I think, \$38,750,000. I am not clear yet as to why this large amount is contained in clause 4. There was some attempt at explanation in the House to the effect that it had been brought about by the reason of the power in clause 3 to exceed the estimates by 15 per cent, but I want to point out to the committee that in these other branch line bills, such as Terrace-Kitimat and Sherridon-Lynn Lake, and I think the other one in Quebec, the amount provided for in the statute was the amount set out in the schedule. In the Lynn Lake extension there was a difference of some \$4 million or \$5 million that was accounted for by the fact that the Department of Defence Production was paying that amount and parliament did not have to give the authority in the Act. It looks to me as though this clause 4 is wrong, and that it should have \$38,750,000 instead of the larger figure.

Hon. Mr. CHEVRIER: When the hon. member for Quadra raised this point in the House, I gave the following explanation, namely, that the estimated amount of expenditure as appears in the schedule of the bill was \$38,750,000, and that clause 3 provides that these estimates may be exceeded by not more than 15 per cent, and that if you add 15 per cent to the \$38,750,000, you then get \$44,562,500, as set out in clause 4. That is the explanation that I thought was the one that should be given. Since then I have inquired, and I am told that that is the explanation, that it may be necessary to go beyond \$38 million. It has not been as a rule, with the estimates of the Canadian National Railways, which are fairly close, but in case it should be necessary for the C.N.R. and the government to get authority from parliament to go beyond the \$38 million, this is provided, in other words, so that it will not be necessary to come back here. If that is not clear, perhaps we could get further explanation from counsel for the Canadian National Railways, but I think that is the explanation.

Mr. GREEN: I would point out that the Terrace-Kitimat bill is exactly the same in regard to the clause providing for an excess over estimates of 15 per cent, and I think to the amount of money involved. There the Act contains the same figure.

Hon. Mr. CHEVRIER: The same figure, and I suppose that is the same case in the other two bills too.

Mr. GREEN: I think all three are the same. There has been a change made in the type of legislation, and I would like to know why that change is made. What happened to bring about that result?

Mr. ROSEVEAR: We thought that we improved the bill, because the other bills did not actually provide for the 15 per cent. The previous bills did not provide for the 15 per cent.

Mr. GREEN: Yes, they did.

Mr. ROSEVEAR: I may have misunderstood the hon. member, Mr. Chairman, but do I understand that the point is that the 15 per cent was added to the table before, because I do not have that in front of me?

Hon. Mr. CHEVRIER: No, it was not added to the table. The 15 per cent is added to the bill by virtue of a clause.

Mr. ROSEVEAR: I do not know whether I understood the hon. member, Mr. Chairman. Do I understand that in the previous bills the 15 per cent was added in the tables, because I did not understand that was so?

Mr. GREEN: No, I have here the Terrace-Kitimat Act and section 3 reads—and the members can check it—I think it is identical with clause 3 of this bill:

3. Estimates of the mileage, the amount to be expended on the construction and the average expenditure per mile of the respective railway lines are set out in the Schedule, and, except with the approval of the Governor in Council, the Company shall not in performing the work of construction and completion exceed such estimates by more than fifteen per cent.

That is exactly the same as the words you put in clause 3 of the bill we are now considering and the schedule, of course, sets out the total cost of \$10 million just as the schedule for this bill sets out a total cost of \$38,750,000.

And then, Section 4 of the Terrace-Kitimat Act reads as follows:

4. Subject to the provisions of this Act and the approval of the Governor in Council, the company may, in respect of the cost of the construction and completion of the railway line, or to provide amounts required for the repayment of loans made under section five, issue notes, obligations, bonds, debentures or other securities (in this Act called 'securities'), not exceeding in the aggregate, exclusive of any securities issued to secure loans made under section five, the sum of ten million dollars, bearing such rates of interest and subject to such other terms and conditions as the Governor in Council may approve.

Now, I do not see why you bring in this bill in this way. If you had drawn the Kitimat Act as you drew the bill we are considering today you would have had 15 per cent added on to the \$10 million. I do not see why you should not have followed the same wording that was followed with the other branch line bills.

Mr. BOUCHER (*Restigouche-Madawaska*): Is there any provision for temporary loans in this bill?

Mr. GREEN: In the following clause.

Hon. Mr. CHEVRIER: Yes.

Mr. GREEN: This is the standard form that has been used in all these bills and the House passed a resolution calling for \$38,750,000 and now the bill comes up to \$44 million.

Mr. HAHN: According to that Kitimat bill they could not borrow over \$10 million—the 15 per cent was included in it?

Mr. GREEN: No, it was not.

Mr. ROSEVEAR: Could I answer that question? We thought, Mr. Chairman, that we had improved the bill because clause 3 provides a leeway of 15 per cent, but it does not provide for the Canadian National Railways obtaining

the money over that 15 per cent; and we thought clause 4 followed logically clause 3 by giving the amount in the schedule plus 15 per cent. That is reason. That is the explanation.

Mr. DUMAS: Carried.

Mr. ROSEVEAR: We think it follows logically after clause 3 because for instance if we were in a position where we needed part or the whole of the 15 per cent how would we get it? There is no authority in the bill for getting it.

Mr. GREEN: There is a provision in the other bills, of course, that the railway cannot go over the estimate without the approval of the Governor in Council, which I think is a very wise precaution, but now you are taking the very maximum and adding on the 15 per cent and getting your authority for it. I think it is a very unwise move for the House to take that step. It is far better to leave it at the amount covered by the resolution. In fact, I think this change is completely out of order. The House passed a resolution for \$38,750,000 and now a bill is brought in for \$44,562,500, and if that was the intention then the resolution which was put through the House should have provided for \$44,562,500 and I suggest that the railway certainly was not hurt in the other three bills by having the estimated figures included in the bill and I suggest we stick to that. Of course, it is up to the minister.

Hon. Mr. CHEVRIER: May I just be allowed to say something here? The only difference between this bill and the other three bills is that in this bill what we have done is to spell out the amount of money estimated to be expended plus 15 per cent. In all the other bills this clause which provides for the expenditure of the money was exactly the same as the amount in the estimate. In other words, where the sum \$38,750,000 appears here. If you add up all these amounts the sum \$38,750,000 should appear in that clause we are now discussing and all the Canadian National Railways have done here is to spell it out by adding the 15 per cent. Now, I have spoken again, on that point which was raised, to the clerk counsel and he is definitely of the opinion that this is not out of order because the amount is an estimate. It is estimated at \$38,750,000; however, if it is going to be of any assistance to the committee, in our anxiety and in order to show that we want to go along with any reasonable suggestion, I have no objection whatever to striking out the figure \$44,562,500 and inserting instead \$38,750,000. If it will make the committee happy, then let us do it.

Mr. GREEN: I think in the interests of thrift it would be as well to do that. If you have the larger amount set out there it is always a temptation to spend that amount,—that applies to me and everyone else, I suppose.

Mr. HABEL: It applies to you, too.

Mr. DUMAS: I move this amendment: that we replace the figure of \$44,562,500 with the figure \$38,750,000.

Hon. Mr. CHEVRIER: Mr. Green made the amendment and perhaps in fairness to Mr. Green we should have him move it and have you second it.

Mr. GREEN: I do not come from Quebec.

Hon. Mr. CHEVRIER: I think it would probably please the honourable member if he were to move the amendment and Mr. Dumas were to second it.

The CHAIRMAN: Clause 4 carried as amended.

Clause 5 carried.

Clause 6 carried.

Clause 7 carried.

Clause 8 carried.

Shall the bill carry?

Carried.

Shall the title carry?

Carried.

Shall the bill as amended carry?

Carried.

Shall I report the bill as amended?

Carried.

Mr. NICHOLSON: Do I understand the changes will be made in clause 5 as well as in clause 4 and throughout the bill? I refer, of course, to the change from \$44,562,500 to \$38,750,000. Will the change be made throughout the bill in the appropriate places?

Mr. GREEN: I think it appears only in the one clause.

Mr. NICHOLSON: It appears, I believe, in clause 5 too.

Hon. Mr. CHEVRIER: Yes, the change should be made in clause 5 as well.

Mr. DUMAS: Mr. Chairman, we had the pleasure this morning of having with us Mr. Fairweather again. Mr. Fairweather is vice-president of the Canadian National Railways and he has been an able counsel to our national system. Therefore I move a vote of thanks to Mr. Fairweather.

Mr. GREEN: I would like to second the motion, Mr. Chairman. It is always a very happy occasion for us to have Mr. Fairweather here and I particularly appreciate his forward-looking view of this whole development.

Mr. DUMAS: And we also extend our thanks to the other officers of the Canadian National Railways.

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HOUSE OF COMMONS

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Publications

First Session—Twenty-second Parliament

1953-54

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND
TELEGRAPH LINES

Chairman—H. B. McCULLOCH, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

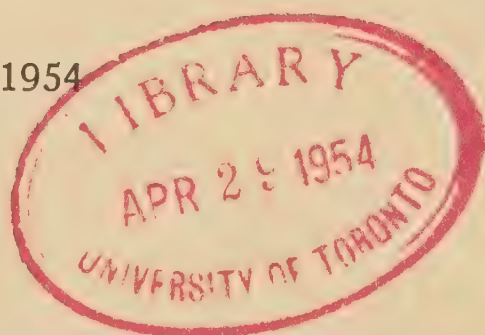
(Bill No. 394 (Letter J-13 of the Senate),
An Act respecting Eastern Telephone and Telegraph Company

FRIDAY, APRIL 9, 1954

WITNESSES:

Mr. W. G. Thompson, President, Eastern Telephone and Telegraph Company and Mr. R. C. Merriam, Counsel.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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OTTAWA, 1954.



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and

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Holowach,
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Johnston (*Bow River*),
Kickham,
Lafontaine,

Langlois (*Gaspé*),
Légaré,
McIvor,
Montgomery,
Murphy (*Westmorland*),
Murphy (*Lambton West*),
Nicholson,
Nickle,
Purdy,
Richard (*Saint-Maurice-
Laflèche*),
Ross,
Roy,
Shaw,
Small,
Stanton,
Viau,
Villeneuve,
Wood—60.

(Quorum 20)

E. W. INNES,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, April 6, 1954.

Ordered,—That the following Bill be referred to the said Committee:

Bill No. 394 (Letter J-13 of the Senate), intituled: "An Act respecting Eastern Telephone and Telegraph Company".

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

FRIDAY, April 9, 1954.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

SIXTH REPORT

Your Committee has considered Bill No. 394 (Letter J-13 of the Senate), intituled: "An Act respecting Eastern Telephone and Telegraph Company", and has agreed to report it without amendment.

A copy of the evidence adduced in relation thereto is appended.

All of which is respectfully submitted.

H. B. McCulloch,
CHAIRMAN.

MINUTES OF PROCEEDINGS

FRIDAY, April 9, 1954.

The Standing Committee on Railways, Canals and Telegraph Lines met at 11.00 o'clock a.m. this day. The Chairman, Mr. H. B. McCulloch, presided.

Members present: Messrs. Barnett, Batten, Bonnier, Byrne, Campbell, Carter, Ellis, Gourd (*Chapleau*), Green Hahn, Harrison, Herridge, Hodgson, Holowach, Kickham, Lafontaine, Légaré, McCulloch (*Pictou*), McIvor, Nicholson, Purdy, and Villeneuve.

In attendance: Mr. S. R. Balcom, M.P.; Mr. R. C. Merriam, representing Mr. D. K. MacTavish, Q.C., Parliamentary Agent; and Mr. W. G. Thompson, President, Eastern Telephone and Telegraph Company.

The Committee proceeded to the consideration of Bill No. 394, (Letter J-13 of the Senate), An Act respecting Eastern Telephone and Telegraph Company.

On motion of Mr. Harrison, seconded by Mr. Carter,

Ordered,—That the Committee print 500 copies in English and 200 copies in French of the Minutes of Proceedings and the Evidence adduced in respect of Bill No. 394.

Mr. Merriam was called, outlined the purposes of the Bill and was questioned thereon.

Mr. Thompson was called, supplemented Mr. Merriam's testimony and enlarged on the technical and financial aspects of the proposed project.

On motion of Mr. Green, seconded by Mr. Herridge,

Ordered,—That the "Transatlantic Cable Construction and Maintenance Contract" between the Postmaster-General of the United Kingdom, American Telephone and Telegraph Company, Canadian Overseas Telecommunication Corporation and Eastern Telephone and Telegraph Company, be printed as an Appendix to this day's evidence. (*See Appendix A*).

The Committee proceeded to a detailed consideration of the Bill.

The Preamble, clauses 1 and 2, and the title were adopted.

The Bill was adopted and the Chairman ordered to report it to the House without amendment.

The Chairman thanked the witnesses for their assistance.

At 11.45 o'clock a.m. the Committee adjourned to the call of the Chair.

E. W. INNES,
Clerk of the Committee.

EVIDENCE

APRIL 9, 1954
11:00 A.M.

The CHAIRMAN: Gentlemen, we have a quorum. We have before us this morning Bill No. 394 (Letter J-13 of the Senate), entitled: "An Act respecting Eastern Telephone and Telegraph Company."

I think it is customary to have a motion with respect to printing the report of the meeting.

Mr. HARRISON: Mr. Chairman I move that we print 500 copies of our report in English and 200 copies in French.

The CHAIRMAN: It is moved by Mr. Harrison and seconded by Mr. Carter.
Carried.

We have with us today Mr. W. G. Thompson, President of Eastern Telephone and Telegraph Company, who will answer any questions that are put to him. Will you come to the head table, please, Mr. Thompson.

Mr. W. G. Thompson, President, Eastern Telephone and Telegraph Company, called:

The CHAIRMAN: Before we go any further perhaps Mr. Merriam would like to say a few words by way of explanation.

Mr. MERRIAM (Parliamentary Agent): Mr. Chairman and gentlemen, as the chairman has indicated we have, this morning, Mr. W. G. Thompson, the President of Eastern Telephone and Telegraph Company, which company is the applicant for this bill. He is here to answer any question which members may wish to ask him concerning the details of this request.

However, possibly the members of the committee might like to have first at least a general explanation of the circumstances behind this bill.

Eastern Telephone and Telegraph Company is a company which was incorporated back in 1917 by private Act of the Parliament of Canada and was acquired as a wholly owned subsidiary by American Telephone and Telegraph Company in 1929.

At that time the intention was to build a transatlantic telephone cable linking the United Kingdom, Canada and the United States; and the purpose in acquiring Eastern Telephone and Telegraph Company which had not been too active was to provide a Canadian link in that chain. Of course, as members know, following 1929 the whole economic picture of the world changed with the result that the project was shelved but never forgotten.

Eastern Telephone lay idle for many years and because of that, in 1931 when it became apparent that it was not going to be feasible immediately to carry out this undertaking, the capitalization of Eastern Telephone and Telegraph was reduced to the comparatively nominal amount of \$75,000.

Just during the past year 1953 an agreement has finally been consummated and signed, and this agreement provides for the final realization of this plan which had been under consideration for many years. The parties to the agreement are the Postmaster-General in Great Britain, Canadian Overseas Telecommunications Corporation which is a Canadian Crown Corporation

responsible to and operating under the direction of the Hon. Minister of Transport, Eastern Telephone and Telegraph Company and American Telephone and Telegraph Company.

The agreement provides for the construction of a multiple transatlantic telephone cable which, of course, will greatly enhance the present transatlantic communication facilities. As you know they are now carried out by radio and this will be the first transatlantic telephone cable as such whereby telephone communication may be made by cable as opposed to radio.

It involves, of course, considerable expenditure which will be somewhere in the nature of \$35 million for the over-all project. Eastern's part in it will approximate somewhere from \$5 million to \$7 million, but the actual figures cannot at this moment be given with certainty. However, we can say to Hon. members that it will be in the nature of from \$5 million to \$7 million; and that of C.O.T.C. will be, roughly, \$4 million, and the over-all picture will involve, roughly, \$35 million.

With this investment required through Eastern—and I say “through” advisedly because the funds will be supplied, so far as Eastern is concerned, by its parent company, it became desirable to provide for a greater amount of authorized capital than the nominal amount presently standing. Consequently the company has come to Parliament with the request that an Act be passed increasing its authorized capital to \$5 million.

At the same time it was felt desirable to change in a minor sense the quorum for the board which, as Hon. members will see, is stated to be not less than five and not more than nine. Previously it required a majority to constitute a quorum.

That was perfectly satisfactory when the company was not engaged in active operations, but it was felt that now the company is going to be involved in a rather important international undertaking which is going to require important decisions to be made from time to time at regular board meetings, that it might prove difficult to obtain the presence of a majority of the board. Therefore, in order to facilitate the operations of the company it was felt that it was in the interests of the company to request that the quorum be set at not less than one-third of the members.

So far as the board itself is concerned—and I think this also has some bearing on the situation in so far as New Brunswick and Nova Scotia are concerned, we are advised that the President of the Maritime Telephone and Telegraph Company, and the President of the New Brunswick Telephone and Telegraph Company have both been approached and have both consented to act on the board of Eastern Telephone and Telegraph Company. I give that information to you, gentlemen, as an indication that this is not a project which is going to be competitive with those two public utilities.

Another Canadian director is Mr. Stewart who is a lawyer in Halifax and probably known to many of you. Finally, the total number of members of the board has not as yet been determined to my knowledge, and I cannot give you the names of the other members of the Board. But I thought the members of the committee might be interested in at least knowing of those three gentlemen. Now, if there are any other questions that you would like to ask me, I shall be perfectly happy to try to answer them, or if not myself, Mr. Thompson who is here because he has been involved in the negotiations and in the consummation of this plan for a long time and is thoroughly familiar with all of its details. He will be happy to offer any explanation which the committee might wish to have.

Mr. CARTER: I wonder if the witness or Mr. Merriam could tell us when the project is planned to start and approximately the date when they hope to complete it.

Mr. MERRIAM: I understand that the plan is to start as soon as possible, almost immediately. But I think Mr. Thompson had better tell us about the completion date.

The WITNESS: As a matter of fact, the engineering for the project and the plans for the project are going forward now. They started last fall. The actual construction work will start within the next 60 days and it is hoped that it can be completed by December, 1956. It is a tremendous undertaking and we have a rather tight schedule. However, we are bending every effort to having it by December 1956.

Mr. CARTER: Will it be a multiple cable system?

The WITNESS: Yes, it will be a multiple cable system which will provide 36 circuits across the Atlantic. Mr. Merriam referred to the fact that economic conditions in 1929 caused it to be postponed. In a way it was a fortunate thing because technically we were not very far along; the three nations were not very far along and we would only have had a one-circuit system which would have been a very difficult economic factor. But with the advance of electronics over the years we now will have a system which will give us 36 circuits and will make it a much more practical proposition for all three nations.

By Mr. McIvor:

Q. Your construction work will be pretty extensive, will it not?—A. Yes, it will be quite extensive.

Q. Would there be any Canadians employed on it?—A. Yes. Any of the installation work which is Canadian will be done by Canadians, and after the system is completed the Eastern Company will have Canadians as its maintenance employees.

Q. Thank you.

By Mr. Carter:

Q. Where will the actual terminals of the cable be?—A. There are really three terminals. The terminal in the United Kingdom is at Oban, Scotland. I emphasize Scotland because before the Senate committee Senator Reid wanted to be sure that it was pointed out that it would be in Scotland. The cable then comes across and lands in at Trinity Bay, Newfoundland, and then goes across the peninsula for a distance of 60 miles to Terrenceville.

Q. That is in my riding, I know it.—A. Then across a little west of Sydney Mines and then goes by land—in microwave radio system—across Nova Scotia and New Brunswick and direct to Portland in the U.S.A. That is quite a stretch of over 3,000 miles.

By Mr. Byrne:

Q. Who is the prime mover in bringing forward this agreement? Your company has been dormant since 1917. Who has initiated this project now?—

A. I would say that it was almost simultaneous between the three nations. It has been in each one's mind for many years, and when about three years ago radio conditions were particularly bad it became apparent something had to be done, and I would say that it originated in all three countries that we would try to do something about it.

Q. You have answered another question I had in mind. If we find now that radio communication is not satisfactory we will not have great difficulty?—

A. Yes, sir. But in our opinion you need both radio and cable for strategic reasons and also for commercial reasons. It is well to have two strings to your bow. Radio has its virtues and its disadvantages. Due to atmospheric conditions there is an eleven year cycle and at the bottom of the cycle radio is

very bad because the disturbances from the magnetic pole come down and pass across the Atlantic and you will realize at times it is pretty bad. On the other hand radio has some advantages and I do not want to wipe it out of the picture completely. Your Canadian communication people feel the same way, and the post office feels the same way. We will strengthen and supplement what we now have.

Q. Is the Postmaster General of Great Britain the minister responsible for communications in Great Britain?—A. In Great Britain internal and external communications are under the post office.

By Mr. Carter:

Q. Will it be possible to utilize these cables for other than voice transmission? Will it be for Morse or television?—A. No. It will not be possible for television. They are generally laid for telephone. The Canadian Overseas Telecommunication Corporation is going to use some of it for telegraph. We do not propose to use any for telegraphy in the United States. We wish that it could be used for television, but nobody yet has invented the kind of repeater that will pass a wide enough band for television. The repeaters we have on land are spaced at relatively very short intervals and there can be maintained in them the tubes which are repeatable, and so on. The kind of tubes we have to design to go to the bottom of the ocean have many restrictions, and no one has invented one reliable enough. We hope some day, but not in this cable.

By Mr. Holowach:

Q. I take it that this is a private company?—A. Yes.

Q. With reference to the contract established on the 22 November, 1953, with the Canadian Overseas Telecommunication Corporation, the American Telephone and Telegraph Company, and the Postmaster General of the United Kingdom, do they hold any stock in the company?—A. No. No one holds any stock in the Eastern Telephone and Telegraph Company except the directors, and, of course, it is a wholly owned subsidiary of the American Telephone and Telegraph Company, but neither the C.O.T.C. or the Postmaster General hold any stock.

Q. Does your company anticipate requesting any financial aid from the federal authorities in the building of this communication?—A. I am sorry. I did not get your question.

Q. Do you anticipate a request to the federal authorities for a subsidy or financial assistance in the building of this line?—A. No, sir, I do not. There was an order in council of last November 26 which authorized the Minister of Transport and C.O.T.C., which is a Crown corporation, to participate, and that as far as I know will be the extent of the capital that the government will have in this project.

By Mr. Nicholson:

Q. You are to put in between 5 and 7 million and C.O.T.C. 4 million. What about the United Kingdom?—About 11½ million.

Q. And the balance?—A. It will be American.

Q. Will this have any effect on reducing the cost of transatlantic communication, or increase it?—A. It will not increase it. I fear it will not decrease it. It will make for better and faster service, but I do not think it will decrease the cost.

Mr. McIVOR: There will be no cost to the dominion government?

The WITNESS: No, except as the dominion government provides the Crown corporation, C.O.T.C., with funds.

By Mr. Nicholson:

Q. This will not do anything to reduce the cost from this end? At the present time it costs a great deal more to send cables from this side to the other—than from the U.K. here. Is there any chance of changing that?—A. I would not know about that. I think somebody from C.O.T.C. would have to answer that. But, I think that that is due to the fact that the pound is off. I know the same situation exists between the United States and the U.K. due to the fact that sterling is off so much. The British government, when sterling went off, did not raise its rates, and the Canadians and Americans did not change their rates at all, so that made this discrepancy I think.

Q. I found that I could send a cable from London to my home in Saskatchewan for a lesser amount than I could send a telegram from Montreal to my home. How does that work out?—A. I am not really familiar with telegraphic matters, and I could not tell you.

By Mr. Carter:

Q. Is this the first transatlantic telephone cable?—A. It is not only the first transatlantic telephone cable, but the first submarine cable of any great length in the world with repeaters in it—that is a multiple channel cable. There is only one other, between the United States and Cuba, now going of any great length. There are a couple across the Irish Sea and the North Sea, which, as you know, are short distances.

By Mr. Herridge:

Q. Was consideration ever given by the government of Great Britain and the Canadian Overseas Telecommunication Corporation to owning this jointly and the American Telephone Company being a subsidiary? What is the reason for this being a subsidiary of the American Telephone Company? Obviously I would like to see Canada and Great Britain own it.—A. America's need as to the amount of circuits and so forth to the U.K. is even greater than the need for communication in volume between Canada and the U.K., and if we could pool our resources as we have done it makes it much better for all three countries. For example, of the total traffic that passes over there about 20 per cent is Anglo-Canadian, and about 80 per cent is Anglo-American. So, the countries benefit by pooling their resources and that was the reason. If we had separate cables for each of us we would pay more.

By Mr. Green:

Q. Why does the Eastern Telephone and Telegraph Company come into the picture at all? Why was it not a deal between the United Kingdom government and the Canadian Overseas Telecommunication Corporation? What is the advantage in having this company revived and put in as a fourth party?—A. We thought it was the fair and proper thing to do. The American Telephone and Telegraph Company does not do business in Canada. We thought the Eastern Telephone and Telegraph Company should do business in Canada.

Q. Why could not the Canadian Overseas Telephone Communication Corporation handle the business in Canada?—A. They are going to do any Canadian business that passes over this cable, but from the standpoint that part of the circuits extend into the United States we naturally wish to have an interest in those circuits.

Mr. McIVOR: The Canadian shareholders are protected? They do not lose anything?

The WITNESS: Oh no.

By Mr. Green:

Q. There are no Canadian shareholders—the shares are all held by the American Telephone and Telegraph Company?—A. Except the directors shares.

Q. Have you any intention of any public issue of shares?—A. No sir, there will not be any public issue of shares.

Q. For Canada?—A. No.

Q. So this provision that the sale of shares to the public shall be subject to the Board of Transport Commissioners is in effect of no importance because there are to be no such shares?—A. No, but it is necessary to state that, sir, because telephone and telegraph companies are all subject to that provision. I might explain about the directors: we propose to have a majority of Canadian directors and in addition to the three gentlemen that Mr. Merriam spoke about we expect to have two other Canadian directors who have not been selected yet.

Q. These companies to which he referred then are both privately owned companies are they not?—A. Yes.

Q. He mentioned provincial utilities but they are not government utilities?—A. No, they are privately owned.

Q. And they are subsidiaries of the American Telephone and Telegraph Company?—A. No.

Q. Or the Bell Telephone Company?—A. I think the Bell has an interest in one of the companies—in the New Brunswick Company—but how much, I do not know.

Q. And Bell Telephone and the American Telephone and Telegraph Company are associated in some way?—A. The American Telephone and Telegraph Company owns a small percentage of Bell Telephone Company of Canada stock, and they have a license between them for services and patents.

By Mr. Carter:

Q. You said, Mr. Thompson, there are 36 circuits in your cable. How many parties will be able to use a circuit at one time?—A. Only one conversation at a time on each circuit, but you may have 36 simultaneous conversations.

Q. But you cannot superimpose on one circuit?—A. No, we have done that as much as possible now and have filled up the space of the 36 circuits already. I might add another thing which I think you gentlemen might be interested in because—and this refers to the question that you raised, Mr. Green,—it is going to be possible to have very much better service between Newfoundland and the rest of Canada. However, neither the Postmaster General or the Eastern Telephone and Telegraph Company or the American Telephone and Telegraph Company are directly concerned in that service. C.O.T.C. has asked if we will build a cable between Newfoundland and Nova Scotia in such a way that they can be furnished with good wire circuits between Newfoundland and Nova Scotia, and we do plan to do that. If that had to be done separately, it would have been a tremendously expensive undertaking for Canada. There is another advantage in this, speaking in general terms, from the standpoint of the country there is a military strategic value in the whole thing.

Q. You mean that there will be more circuits between Terrenceville and Sydney Mines than the rest of the cable?—A. Yes, sir.

Q. Can you tell me how many more?—A. We are not sure how many more we will be able to get, but it will be considerably more. You see, the distance is the controlling factor. The distance is not so large that we could not do some special things. The problem is when you have the 2,000 mile stretch you have to feed power to the vacuum tubes all that distance, and the power diminishes as it goes along and that is about the limit whereas on the 350 mile limit you can do things which you could not do on the 2,000 mile stretch.

Q. Is it not possible to boost that power between your terminals?—A. That is exactly what we can do in that case, but we have reached the limit of what

we can do in the way of putting power across the Atlantic and we are going to put in two extra repeater stops in order to supply Newfoundland with some service.

By Mr. Green:

Q. Would it be possible to have a copy of the contract filed with the minutes of the proceedings today?—A. I will be very glad to furnish you with copies. I think the contract is a matter of public record in the Ministry of Transport office, as it was approved by the Governor in Council last November, and therefore it is a part of the official record already.

Q. It will be very much easier for us if it is made part of the record. Is there any control over the rates that can be charged?—A. The rates are not concerned in this cable at all. This cable is purely a facility cable. All the arrangements for traffic and rates between the United Kingdom and Canada and the United Kingdom and the United States are covered in existing agreements. They will have nothing to do with this cable.

Q. Is there any governmental control over the rates in Canada?—A. I am not able to answer that, sir, I do not know. I do not know enough about Canadian law.

Q. You do not know if the Board of Transport Commissioners has any control over the rates?—A. I could not answer that because I do not know enough about Canadian law, sir.

The CHAIRMAN: Would it be satisfactory if this contract is put in the record as an appendix?

Mr. GREEN: As an appendix to today's proceedings, yes.

By Mr. Green:

Q. Would there have been any serious objection to the Canadian Overseas Telecommunication Corporation handling the whole Canadian end of this business rather than bringing in this branch company?—A. When you say "the Canadian end of the business" do you mean the actual Canadian traffic? They are going to do that.

Q. I do not understand why it was necessary to bring in the Eastern Telephone and Telegraph Company when we already have a company known as the Canadian Overseas Telecommunication Corporation which we understand was going to do all this sort of thing for Canada.—A. For Canada, yes, but you see the Americans were not willing to put their money in a cable running from Oban to Newfoundland and not have some interest in the connecting link which brought it to the United States. Frankly, neither financially nor politically would we have been happy with the arrangement if we did not have a say in this thing.

Mr. HERRIDGE: What is the total cost?

The WITNESS: About \$35 million.

Mr. HERRIDGE: Canada could have done it very easily.

The WITNESS: I do not mean to say that Canada is not a wealthy country and could not have done it, but I feel that by combining the interest everyone is better off.

Mr. HOLOWACH: Have you any figures available as to the amount of stock in this company which is held by the American Telephone and Telegraph Company?

The WITNESS: We will own 100 per cent of it.

Mr. HOLOWACH: I suppose you have already received the approval of the United States government in connection with your plans?

The WITNESS: We have received the approval of the United States government to the project, yes. We also have received the approval of the British government and Canadian government.

Mr. HOLOWACH: I wonder if you could give us a bit of clarification on the provision contained in paragraph one on page two:

Provided that the company shall not make any public issue or sale of its capital stock or any part thereof without first obtaining the approval of the Board of Transport Commissioners for Canada of the amount, terms and conditions of such public issue or sale—

Could you clarify that for us?

The WITNESS: I think perhaps Mr. Merriam should answer your question.

Mr. MERRIAM: The answer to that is that under the Railway Act no telegraph or telephone company may sell its securities to the public without first obtaining the approval of the Board of Transport Commissioners as to the price and the number of shares which may be sold, and that really is writing into this Act a provision that is already contained in the Railway Act and to which the company is subject in any event.

By Mr. Herridge:

Q. I should like to ask the witness a question. Would it not have been acceptable to the United States or your company for the government of Great Britain and the government of Canada to have owned this cable completely and then leased 80 per cent of the services to the United States?—A. No, sir.

Q. Why would it not?—A. It would be politically unacceptable to the United States, I am sure, and financially unacceptable to us. In the first place, 80 per cent of the use of the cable is going to the United States, and we would have a very difficult time proving to our government that we should not have an interest in that cable. In the second place, the art was developed by us. We have developed the art of doing this.

Q. That is, you have the patents?—A. We have not only the patents; we have spent 30 years developing this cable system.

Q. Does that mean that if the government of Great Britain and the government of Canada through this Canadian corporation had decided to build it themselves, they would not have been able to do so without the patents held by the American Telephone and Telegraph Company?—A. I would not say that they could not in time, but they could not at this time, I feel sure. By that I would not like the hon. member to think that we made a bargain on that basis. We did not. If Canada and the United Kingdom wished to have a separate cable, I am sure that arrangements could be made by which we could have allowed them to have our patents, because we certainly would not want to stand in the way of any link of that kind. We would like to help. For our part, however, we did not feel that we should build a separate cable without inviting Canada in, and that is exactly what happened. That, I believe, is what the Governor in Council deliberated on and passed when they saw the whole situation.

Q. That is, you invited Canada to participate in a cable landing on Canadian soil?—No, we invited them to participate in a cable across the Atlantic. There can be a cable across the Atlantic that does not land on Canadian soil. It will not be as good a cable, but there can be such a cable.

Mr. ELLIS: This particular cable could not have been built without the co-operation of Canada.

The WITNESS: Obviously. I say that it is a joint Canadian enterprise in the interests of all three countries.

By Mr. Holowach:

Q. What is the name of the company that will be actually constructing the cable?—A. There will not be a separate company. This is a common enterprise, and we are all in it.

Q. I suppose you have made allowance?—A. We have made allocations, as you can see, in the contract as to which one will be responsible for building which pieces.

Q. I suppose that arrangements have been made to employ as many Canadians as possible on the Canadian piece of the cable, is that right?—A. Absolutely. All the installation work to be done on Canadian soil will be done by Canadians. Buildings that are necessary will be built by Canadians. All the work that can possibly be done in Canada by Canadians will be done by Canadians.

Mr. CARTER: Do you plan to start from the east and work towards the other end?

The WITNESS: We probably will not do it that way. We will probably lay a shore end, for a few hundred miles, and buoy it, and then we will start from England and meet that. The reason for that is that laying operations are limited by what the ship can carry. There is only one ship in the world that can carry this heavy cable, and that is the "Monarch", which belongs to the British Post Office. Even that ship is not big enough to carry the whole thing. It will have to be done in pieces. It will not meet in mid-ocean. It will probably go across and meet that shore end.

By Mr. Hahn:

Q. You spoke about the magnetic influences that interfere with radio communication today. Have you any figures to indicate what percentage of influence this has on the efficiency of radio communication between continents?—A. No, sir. It varies from time to time.

Q. You have nothing to indicate an over-all yearly percentage?—A. No, it varies from year to year. It has not only a seasonal effect within the year, but it has an effect varying over a period of 11 years.

Q. It is on a cyclical basis?—A. Yes.

Q. Do those magnetic influences have an effect on all frequencies of radio?—A. All shortwave frequencies used across the Atlantic are affected by those.

Q. Will the building of this line mean that we will not have radio communications?—A. No, sir. I thought that I mentioned before that we expect to keep—at least the United States does, and I assume that Canada expects to do the same—a certain number of the radio circuits in service.

Q. I am sorry. I was not here for that, as I was giving a radio address.—A. As I mentioned before, it is of great importance strategically to have both means, from the standpoint of the defence of Canada, the United States and the United Kingdom. If the cable was cut, you would have the radio to fall back on.

Q. There may be other frequencies with which you are not familiar, that would not be affected by magnetic influences.—A. There may be. I have been at this overseas telecommunications business—and I do not want to be too foreseeing—and I have been looking for this for at least 25 years.

Q. There are none, to the best of our knowledge, that are available today?—A. That is right. Someday there may be found some way to do it by radio that will not be subject to radio storms, but the art does not indicate that it is likely.

Q. I was thinking particularly of some of the equipment that we have available today, such as in our walkie-talkie sets, that we never thought of in our early radio days.—A. Yes, and I would hope that something may one day be possible, because we are still in the growing stages of radio and electronics.

By Mr. Holowach:

Q. You mentioned the military value of this cable. I suppose that you have consulted or are consulting with the American military authorities, as well as the Canadian military authorities, in the building of this cable?—A. I can speak from the American end. We consulted with our military, and I assume that C.O.T.C. and the Department of Transport consulted with theirs. I happen to know that the British did consult with theirs; so I assume that Canada did.

Q. You have their approval?—A. Yes; in fact, I would say, enthusiastic approval.

The CHAIRMAN: Any further questions? Shall the preamble carry?

Carried.

Shall clause 1 carry?

Carried.

Shall clause 2 carry?

Carried.

Shall the title carry?

Carried.

Shall the bill carry?

Carried.

Shall I report the bill?

Agreed.

The WITNESS: Mr. Chairman, may I just say one word? I just want to say to the hon. members that I am sure that this is going to be a great undertaking for all three nations. It has been a dream of all communications people in the three nations for many years, and I am sure that it will strengthen greatly all the ties that we have together. I appreciate the opportunity of being able to come here this morning and tell you about the project. Thank you, Mr. Chairman.

The CHAIRMAN: I am sure the committee wish to thank Mr. Thompson and Mr. Merriam for the clear-cut evidence they have given.

APPENDIX "A"

TRANSATLANTIC CABLE CONSTRUCTION
AND MAINTENANCE CONTRACT

Dated November 27, 1953

BETWEEN AND AMONG

HER MAJESTY'S POSTMASTER-GENERAL IN THE
UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND,

and

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

and

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

and

EASTERN TELEPHONE AND TELEGRAPH COMPANY

MEMORANDUM OF AGREEMENT made and entered into this 27th day of November, 1953, between and among the Right Honourable Herbrand Edward Dundonald Brassey, Earl De La Warr, Her Majesty's Postmaster-General in the United Kingdom of Great Britain and Northern Ireland (hereinafter called "the Postmaster-General" which expression shall include his successors in that office) on behalf of Her Britannic Majesty in right of the United Kingdom, party of the first part, and American Telephone and Telegraph Company, a corporation organized and existing under the laws of the State of New York in the United States of America and having its principal office at 195 Broadway in the City of New York (hereinafter called "the Company" which expression shall include its successors), party of the second part, and Canadian Overseas Telecommunication Corporation, a corporation organized and existing under the laws of Canada and having its principal office at 211 St. Sacrament Street in the City of Montreal (hereinafter called "C.O.T.C." which expression shall include its successors), party of the third part, and Eastern Telephone and Telegraph Company, a corporation organized and existing under the laws of Canada and having its principal office at 435 Barrington Street in the City of Halifax (hereinafter called "Eastern" which expression shall include its successors), party of the fourth part, all the outstanding capital stock of which is owned by the Company.

WITNESSETH:

Whereas by means of transatlantic radio facilities the Postmaster-General and the Company are providing a telephone service between the United Kingdom and the United States and the Postmaster-General and C.O.T.C. are providing a similar service between the United Kingdom and Canada;

And Whereas it is desired to provide a submarine telephone cable system for transatlantic telephone service between the United States and Canada on the west, and the United Kingdom on the east;

And Whereas it is now desired to define the terms and conditions under which said cable system shall be provided, constructed and maintained,

Now, Therefore, the said Parties, in Consideration of the Mutual Covenants Herein Expressed, Covenant and Agree with Each Other as Follows:

1. In accordance with the arrangements contained in this Agreement, a cable system shall be provided, constructed and maintained which, for the purposes of this Agreement, shall be regarded as consisting of the following segments, to wit:

SEGMENT A: Submarine cable, equipped with intermediate submarine cable repeaters, connecting Oban, Scotland, with Sydney Mines, Nova Scotia, via Clarenville, Newfoundland, together with associated cable station equipment at Oban, Clarenville and Sydney Mines. The term "submarine cable" includes any cable of the submarine type laid on land; the term "cable station equipment" means terminal equipment (including power equipment) and maintenance and testing apparatus associated with such equipment and with submarine cable and submarine cable repeaters, but excludes the land and buildings in which such equipment and apparatus is housed.

SEGMENT B: Land and buildings appropriate for the cable landing and for the cable station equipment at Oban.

SEGMENT C: Land and buildings appropriate for the cable landing and for the cable station equipment at Clarenville and Sydney Mines and for radio relay terminal apparatus at Sydney Mines and for the radio relay repeater equipment and circuit terminal equipment at the point in segment D where the Canada/United Kingdom circuits branch off to connect with the Canadian domestic communication facilities in accordance with paragraph 4 (which point is in this Agreement referred to as the "junction point").

SEGMENT D: A micro-wave radio relay system between the Sydney Mines cable station and the Canada/United States boundary, excluding the land and buildings forming part of segment C. Segment D comprises two parts: (1) Segment D (north) being the equipment appropriate to the radio relay system at Sydney Mines, the land, buildings, towers and equipment appropriate to the radio relay system between Sydney Mines and the junction point and the radio relay repeater equipment and circuit terminal equipment at the junction point; and (2) Segment D (south) being the remainder of segment D.

Each segment shall be regarded as including its related spare and standby components (for example, submarine cable repeaters and lengths of submarine cable).

2. (a) Segment B shall be of the Postmaster-General's design and shall be provided and constructed, or caused to be provided and constructed, by and at the cost of the Postmaster-General, in agreement with C.O.T.C. and the Company so far as these parties may require.

(b) Segment C shall be of the Company's design and shall be provided and constructed, or caused to be provided and constructed, by Eastern, in agreement with C.O.T.C., the Company and the Postmaster-General so far as these parties may require. Segment D shall be of the Company's design and shall be provided and constructed, or caused to be provided and constructed, by Eastern and, as regards segment D (south), at the cost of Eastern.

(c) In that part of segment A from Oban to the limit of the territorial waters of Canada east of Clarenville, the associated cable station equipment and repeaters shall be provided and constructed, or caused to be provided and constructed, by the Company; in that part of segment A from Clarenville to Sydney Mines, the associated cable station equipment and repeaters shall be provided and constructed, or caused to be provided and constructed, by the

Postmaster-General; and in the remaining part of segment A the associated cable station equipment and repeaters shall be provided and constructed, or caused to be provided and constructed, by Eastern.

(d) The Postmaster-General shall provide and construct, or cause to be provided and constructed, so much of the submarine cable in segment A (including the spare length of similar cable which the Postmaster-General and the Company and Eastern may agree to provide) as will serve to secure that, upon final computation of the payments to be made by the parties in respect of the provision, construction, installation and laying of the cable system, the sum of the payments made and falling to be made by the Postmaster-General to the Company and Eastern under sub-paragraph 5(c) and the permissive lump sum rental payments by the Postmaster-General to the Company and Eastern under paragraph 8 shall not exceed the sum of such payments made and falling to be made by the Company and Eastern and C.O.T.C. to the Postmaster-General, the intention of the parties being that no balance of such payments shall fall to be paid by either the Postmaster-General to the Company and Eastern or by the Company and Eastern and C.O.T.C. to the Postmaster-General, unless otherwise agreed between the parties.

(e) Eastern shall provide and construct, or cause to be provided and constructed, any part of the submarine cable in segment A between Sydney Mines and the limit of Canadian territorial waters east of Clarenville which is not provided and constructed, or caused to be provided and constructed, by the Postmaster-General.

(f) The Company shall provide and construct, or cause to be provided and constructed, any part of the submarine cable in segment A (including the said spare length of cable) which is not provided under sub-paragraphs 2(d) and 2(e).

3. (a) That part of segment A from Oban to Clarenville shall be of the Company's design and that part of segment A from Clarenville to Sydney Mines shall be of the Postmaster-General's design. The Postmaster-General and the Company shall agree upon specifications for performance of both parts of segment A operating together and shall also agree upon specifications consistent therewith for performance of each part operating individually and separately. The performance of each part of segment A operating individually and separately shall meet the specifications thus agreed upon for such performance. The party responsible for designing a part of segment A shall prepare the specifications of the components of that part in such detail as the Company and the Postmaster-General shall agree, and such specifications shall be agreed between the two parties.

(b) The party responsible for providing and constructing a part of segment A shall let the contracts for the supply of that part and all such contracts shall, before being entered into, be approved by both the Postmaster-General and the Company.

(c) Every such contract (except any as to which the Postmaster-General and the Company may otherwise agree) shall contain such terms as will ensure.

(i) that the Postmaster-General and the Company shall jointly be responsible for the inspection and acceptance of the articles to be supplied and the services to be rendered under the contract;

(ii) the right of access by the Postmaster-General and the Company to the books and records of the contractor in so far as such books and records are relevant to the said articles and services, or to the charges to be made therefor to the parties, including overhead costs;

(iii) the right of access by the Company and C.O.T.C. through their employees, and the Postmaster-General through officers of the Post Office, to the factories and other places of business of such contractors for the purpose of inspecting the articles to be supplied and the services to be rendered under the contract, including raw material, parts, manufacturing processes, testing procedures, and testing and inspection records relating to the manufacture, inspection and testing of such articles and services.

The foregoing provisions of this sub-paragraph shall apply to any sub-contract and sub-contractor if, and to the extent, requested by either the Postmaster-General or the Company. The Company or the Postmaster-General shall, before any sub-contract is concluded, secure for the other of them a reasonable opportunity to make such a request if desired.

(d) The arrangements made for the installation or laying of every part of segment A shall be such as are satisfactory to all the parties which are responsible for providing and constructing segment A.

(e) Each of the parties to this Agreement shall be entitled upon request to receive a copy of every specification as to which agreement is required under sub-paragraph (a) above and of every contract and particulars of every arrangement to which sub-paragraph (a), (b), (c) or (d) refers.

(f) The Postmaster-General, C.O.T.C. (except as to segment D (south)), and the Company and Eastern shall agree upon the facilities to be provided in and the specifications for performance of segment D. The performance of segment D when completed shall be such as to meet with the acceptance of all parties.

4. The Postmaster-General, C.O.T.C. and the Company, each at his or its own expense, on or before the completion of the cable system shall do or cause to be done all such acts and things as may be necessary within his or its country to provide suitable connection of the cable system, at the respective points of connection, with appropriate communication facilities within his or its country, i.e., the Postmaster-General in the United Kingdom, with connection at Oban; C.O.T.C. in Canada, with connection at a radio relay station in segment D to be selected by C.O.T.C.; the Company in the United States with connection at the Canada/United States boundary. The parties responsible for the provision and construction of the various segments will use their best endeavours to complete the cable system and to place it in operation on or before December 1, 1956.

5. (a) Segments A, C and D (north) shall be owned by the parties, in common, in undivided shares, as follows: the Postmaster-General 50% less the share of C.O.T.C.; C.O.T.C. 9.028% if the initial capacity of those segments is 36 through telephone circuits or more (or if the initial capacity is less than 36 telephone circuits, then a percentage equal to 325 divided by the total telephone circuit capacity; and if the total telephone circuit capacity is subsequently increased but is less than 36 circuits then the percentage shall be 325 divided by the new total telephone circuit capacity and so on from time to time; and if the total telephone circuit capacity is subsequently increased to 36 circuits or more the percentage shall be 9.028%; and upon every such subsequent increase up to 36 circuits the parties shall make appropriate adjustments with respect to the payments theretofore made under paragraphs 5 (c) and 8); the Company 50% of that part of segment A from and including the associated cable station equipment at Oban to the limit of the territorial waters of Canada east of Clarenville; and Eastern 50% of the balance of segment A, 50% of segment C, and 50% of segment D (north). Segment B shall be owned by the Postmaster-General. Segment D (south) shall be owned by Eastern. Upon every such subsequent increase as aforesaid in the capacity of segments A,

C and D (north) the parties shall execute such documents and do all such things as they or any of them may reasonably require for the purpose of vesting title in common in segments A, C and D (north) in the altered undivided shares.

(b) All the rights constituting the ownership of segments A, C and D (north) and all decisions made or acts done in the exercise thereof shall, except as otherwise provided in this Agreement, be exercised, made or done by the parties acting together on the basis of majority voting, the Company, or Eastern, according as their respective ownerships may be concerned, having 50 votes, the Postmaster-General 41 votes and C.O.T.C. 9 votes.

(c) The cost of providing, constructing, installing and laying segment A, and providing and constructing segments C and D (north), shall be shared by the parties in the proportions in which they share ownership of those segments under sub-paragraph 5 (a). As the Postmaster-General and the Company and Eastern provide and construct, or cause to be provided and constructed, segments A, C and D (north) and install and lay or cause to be installed and laid segment A, he or it will bill the other party, or parties, and the other party or parties shall pay its, his or their share, based on ownership as set forth in sub-paragraph 5 (a), of the cost incurred in so doing. Bills may be rendered as costs are incurred during the course of provision, construction, installation and laying, but not more often than quarterly, and whenever rendered, shall be payable by the party to whom rendered unless that party takes objection thereto in writing before the end of the calendar month immediately succeeding the calendar month in which the bill is rendered. If objection is not so taken, amounts due from one party to another shall be paid within one calendar month from the end of the month in which billed. Payments made by a party before the cable system begins operation shall be on account of that party's share of the cost. When the cable system begins to operate, the amount of each party's share of the cost shall be finally computed and any necessary payments and repayments shall be made between the parties by way of final settlement in order that each party may bear its proper share of the cost as specified in this sub-paragraph. At any time before the final settlement, the interest of each party in the property applicable to segments A, C and D (north) severally shall correspond to the proportion between the total payments made by that party at that time (including cost incurred by that party in providing and constructing and also in the case of segment A in installing and laying such property, to the extent that that party has to be reimbursed) and the total cost incurred by all parties at that time with respect to segment A or, as the case may be, segment C or D (north). As soon as may be after the final settlement, the parties shall execute such documents and do all such things as they or any of them may reasonably require for the purpose of vesting title in common in the undivided shares stated in sub-paragraph 5 (a) and any expenses incurred shall be borne by the parties concerned in the same proportions.

(d) Where subsequent to the completion of the cable system under this Agreement additional property is incorporated in segment A, C or D (north) of this system, the parties shall, upon payment of their appropriate shares of the capital cost thereof in the proportions then applicable under sub-paragraph 5(a), own the additional property in those proportions. Additional property so incorporated in segment B shall be owned by the Postmaster-General and additional property so incorporated in segment D (south) shall be owned by Eastern. In this Agreement, references to any segment, however expressed, shall include references to additional property incorporated therein, unless the context otherwise requires.

6. Costs, or capital cost, as used herein with reference to providing and constructing facilities for the cable system, including land and buildings, or

to causing them to be provided and constructed or to laying or causing to be laid cables and repeaters or to installing or causing to be installed cable station equipment and micro-wave radio relay equipment shall embrace all expenditures incurred which shall be agreed by the parties to be fair and reasonable in amount and either to have been directly and reasonably incurred for the purpose of, or to be properly chargeable in respect of, such provision and construction or laying or installation, including, but not limited to, the purchase price and purchase costs of land, building costs, amounts incurred for development, engineering, design, materials, manufacturing, procurement and inspection, testing associated with laying or installation, taxes (except income tax imposed upon the net income of a party hereto), supervision, overheads and insurance or a reasonable allowance in lieu of insurance if any party elects to carry a risk himself or itself, being a risk which is similar to one against which another party hereto has insured or against which insurance is usual or recognized or would have been reasonable.

7. (a) Six and one half through telephone circuits or 18·056% of the total number of such circuits, whichever is the greater, in segments A and D (north) shall be assigned to C.O.T.C. and the Postmaster-General for United Kingdom/Canada communications, including transiting communications over such circuits, subject to the following provisions:—

(1) One half circuit so assigned shall be available to furnish six telegraph circuits (or such larger number as may from time to time be obtainable therefrom) and the other circuits shall be available for telephone service. The terms and conditions upon which such telegraph and telephone services shall be rendered shall be such as may be agreed between C.O.T.C. and the Postmaster-General.

(2) In addition to other transit use, circuits so assigned may be utilized for telephone service between Canada and points on the Continent of Europe by direct connection in the United Kingdom with suitable facilities furnished by the Postmaster-General and the appropriate European agency or agencies to complete the termination in Europe, subject to agreement between the Postmaster-General and C.O.T.C. as to availability of circuits and as to the terms and conditions upon which such circuits shall be used.

(3) If the Government of the United Kingdom or the Government of Canada requests the use of telephone or telegraph circuits for the purposes of a Government Department, other than for public communication service, they shall be leased if available; and, if the Postmaster-General and C.O.T.C. so decide, such circuits may, if available, be leased for private line use. Every such lease shall be upon such terms and conditions as may be agreed upon by the Postmaster-General and C.O.T.C.

(b) Except for the through circuits assigned for United Kingdom/Canada communications as provided in sub-paragraphs 7(a) and (c), all through circuits in the cable system shall be assigned to the Company and the Postmaster-General for United States/United Kingdom communications, including transiting communications over such circuits, subject to the following provisions:—

(1) Circuits so assigned shall be utilized for United States/United Kingdom telephone service subject to agreement between the Postmaster-General and the Company as to the terms and conditions upon which such service shall be rendered.

(2) In addition to other transit use, circuits so assigned may be utilized for telephone service between the United States and points on the Continent of Europe by direct connection in the United Kingdom

with suitable facilities furnished by the Postmaster-General and the appropriate European agency or agencies to complete the termination in Europe, subject to agreement between the Postmaster-General and the Company as to availability of circuits and as to the terms and conditions upon which such circuits shall be used.

(3) If the Government of the United Kingdom or the Government of the United States requests the use of telephone or telegraph circuits for the purposes of a Government Department, other than for public communication service, they shall be leased if available; and, if the Postmaster-General and the Company so decide, telephone circuits may, if available, be leased for private line use. Every such lease shall be upon such terms and conditions as may be agreed upon by the Postmaster-General and the Company.

(4) Any other telegraph use or leasing for telegraph purposes between the United Kingdom and the United States of circuits so assigned shall be subject to approval by governmental authorities concerned, and to agreement between the Postmaster-General and the Company upon such use or leasing and upon the terms and conditions thereof.

(c) Where, subsequent to the original assignment of telephone circuits pursuant to this paragraph, the number of such circuits in the cable system is increased, the additional circuits shall, upon payment by the parties to this Agreement of their respective shares of any capital cost relating thereto in the proportions then applicable under sub-paragraph 5(a) and of any appropriate lump sum rental or periodic rental under paragraph 8, be assigned for use between the parties as they would have been assigned under sub-paragraph (a) and (b) of this paragraph had such additional circuits been included in the initial capacity of the cable system.

(d) Where two of the parties have been assigned a telephone circuit or part thereof that is not for the time being required for their use, such parties may by an appropriate lease arrangement make such circuit or part available for telephone use by any two of the three parties to which circuits have been assigned. A circuit or part so leased shall be leased on an annual basis of rental at a rate or charge to be agreed at the time.

(e) Circuit capacity in any part of segment A or in segment D (north) in excess of that required for through circuits may be used or leased for purposes other than those specified in sub-paragraphs 7(a) and (b), subject to agreement between the three parties to whom through circuits are assigned as to such use or leasing and the terms and conditions thereof.

(f) The Company and Eastern covenant that segment D (south) will be confined to use for United States transatlantic communications (including transatlantic communications normally routed via the United States) over the cable system as provided for in this Agreement.

8. C.O.T.C. and the Company shall acquire the right of rental (that is to say, the indefeasible right of user) during the currency of this Agreement, in segment B and the Postmaster-General the right of rental (that is to say, the indefeasible right of user), during the currency of this Agreement, in segment C and of the circuits assigned to him in excess of those representing his share of ownership in segments A and D, by payment of rental as follows:

(i) by C.O.T.C. to the Postmaster-General, a lump sum bearing the same proportion to the capital cost of segment B as the C.O.T.C. share of ownership in segments A, C and D (north) under sub-paragraph 5(a) bears to the whole; or, at C.O.T.C.'s option, periodic rental at such rate and in such instalments as may be agreed between them.

(ii) by the Company to the Postmaster-General, a lump sum equal to one half of the capital cost of segment B, less an amount equal to C.O.T.C.'s permissive lump sum rental referred to in provision (i) above; or, at the Company's option, periodic rental at such rate and in such instalments as may be agreed between them.

(iii) by the Postmaster-General to the Company and Eastern, according as their respective ownerships may be concerned, a lump sum equal to one half of the capital cost of segment D (south) and a lump sum equal to the contribution of C.O.T.C. in respect of the capital cost of segments A, C and D (north); or, at the Postmaster-General's option, periodic rental at such rate and in such instalments as may be agreed between them.

Any such lump sum rental payments shall be made at the time of completion of the respective segments (or, as the case may be, of any additions thereto) to the satisfaction of the parties concerned.

9. (a) The Postmaster-General, the Company and Eastern shall jointly use their best endeavours to maintain segment A of the cable system in efficient working order in accordance with specific co-operative procedures to be agreed upon hereafter and designed with the objective of achieving speedy and effective repairs. The Postmaster-General shall use his best endeavours to maintain segment B and Eastern shall use its best endeavours to maintain segment C in efficient working order. Eastern shall use its best endeavours to maintain in efficient working order and shall operate segment D. The Postmaster-General shall be responsible for operating at the Oban cable station and Eastern, save as in this sub-paragraph provided, shall be responsible for operating at the cable stations at Clarendville and Sydney Mines. Each party shall give full information relating to the operation of equipment of that party's design to each other party by whom that equipment is, by reason of the provisions of this sub-paragraph, to be operated. Each party to this Agreement may from time to time or continuously attend and inspect the operation and maintenance of any portion of the cable system in which circuits are assigned to the said party and may consult with each other party responsible for such maintenance and operation. At Clarendville and Sydney Mines the cable station equipment, and at the junction point the equipment, shall be such and so housed that

(i) all apparatus individual to the Canada/United Kingdom through circuits shall be under the exclusive and independent maintenance, operation and control of C.O.T.C., which (unless otherwise agreed between the parties) shall do the operating with respect to this apparatus, and

(ii) all apparatus individual to the United States/United Kingdom through circuits shall be under the exclusive and independent maintenance, operation and control of Eastern, which (unless otherwise agreed between the parties) shall do the operating with respect to this apparatus.

(b) None of the parties shall be liable to the others for any loss or damage sustained by reason of any failure in or breakdown of the facilities or any interruption of service, whatsoever shall be the cause of such failure, breakdown or interruption, and however long it shall last, but if the party responsible for maintaining and operating a segment or any part thereof fails to maintain that segment or part in efficient working order and operation after having been called upon to do so by any other party to whom circuits are assigned in that segment, that other party may place the segment or part in efficient working order and operation and charge the other parties who are assigned circuits in that segment their appropriate shares of the cost reasonably incurred in so doing.

(c) The provisions of the two last preceding sub-paragraphs shall be so performed as to minimise net dollar payments by the Postmaster-General under this paragraph so far as shall be consistent with the speedy and effective performance thereof.

(d) The costs of maintaining segments A, B, C and D (north) and of operating segments A and D (north) shall be shared by

(i) the Postmaster-General and the Company and Eastern (equally between the Postmaster-General on the one side and the Company and Eastern, as their respective interests may appear, on the other side) and

(ii) the Postmaster-General and C.O.T.C. (equally between them) in proportion to the through circuits assigned in segments A and D (north) for the United Kingdom/United States service and for the United Kingdom/Canada service, respectively, and the costs of maintaining and operating segment D (south) shall be shared equally by the Postmaster-General and Eastern. The costs to which this sub-paragraph relates are the costs reasonably incurred in maintaining and operating such segments, including, but not limited to, the cost of attendance, testing, adjustment, repairs and replacements, taxes (except income tax imposed upon the net income of a party hereto) paid in respect of the said segments, and costs and expenses reasonably incurred on account of claims made by or against other persons in respect of such segments or any part thereof and damages or compensation payable by the parties concerned on account of such claims. Costs and expenses and damages or compensation payable to the parties on account of such claims shall be shared by them in the same proportions. Each party shall render to the other quarterly accounts of the expenditures and receipts herein referred to and shall from time to time furnish such further details and particulars as the others reasonably may require. The provisions of sub-paragraph 5 (c) relating to acceptance and payment shall apply to such accounts when rendered.

(e) The terms "operate" and "operating" as used in this Agreement refer to the technical preparation and supervision of equipment and circuit facilities as distinguished from traffic operating and the term "through circuits" as used in this Agreement means either circuits between Oban and the junction point or circuits between Oban and the Canada/United States boundary, as the context may require.

10. Each party shall keep such books, records, vouchers and accounts of all of his or its costs with respect to the provision and construction, installation and laying, maintenance and operation of facilities in the cable system as may be appropriate to support his or its billing of any such costs to the other parties and shall at all reasonable times make them available for the inspection of the other parties.

11. Amounts due under this Agreement from one party to another shall be payable at the principal office of the payee and in the currency of the country in which such office is located; provided, however, that the parties, in making payments and settlements in the performance of this Agreement, will endeavour, in so far as is practicable, to avoid the exchange of the currency of one country into the currency of another country.

12. The Company shall grant, and secure that its subsidiaries shall grant, to the Postmaster-General and (if required by him so to do at any time) to any other Department of Her Britannic Majesty's Government in the United Kingdom who may so desire, and the Postmaster-General on behalf of Her Britannic Majesty shall grant to the Company, non-exclusive unrestricted licences free of any royalty or other payment, to make or have made, and to use, lease or sell by themselves or by their agents coaxial type submarine cable, submarine repeaters utilising thermionic tubes (thermionic valves) as the

amplifying function element, and terminal equipment, power equipment and maintenance and testing equipment associated with such cable or repeaters and cable laying equipment, under patents for inventions made, between the date hereof and the end of one year from the date on which the cable system begins to operate, by employees of the Company or its subsidiaries or by officers or servants of Her Britannic Majesty in right of the United Kingdom, or by such employees and officers or servants jointly, in the performance of work undertaken specifically for the purposes of this Agreement. The grant to the Company shall include the right to grant sublicences to its subsidiaries in the United States and to Eastern. Such licences shall continue for the lives of such patents. In the case of any invention jointly made by an employee of the Company or its subsidiaries and by an officer or servant of Her Britannic Majesty in right of the United Kingdom, the parties shall consult as to the country in which any application for Letters Patent in respect thereof shall first be filed before making such application. This paragraph and any matter or thing falling therein in relation to any Letters Patent or patent application shall be construed and determined according to the laws of the country in which such Letters Patent or patent application are granted or filed.

13. The Company, having entered into this Agreement for the provision of a transatlantic telephone cable between the United States, Canada and the United Kingdom as the first stage in the development of transatlantic cable telephony between these countries, hereby declares it to be its intention that:—

(a) It will co-operate fully with the Postmaster-General in planning for provision of additional capacity for growth in telephone communications between the United States and the United Kingdom as soon as it is economically desirable.

(b) If, prior to the establishment of a second cable between the United States and the United Kingdom, the Company proposes a cable between the United States and the Continent of Europe, it will, subject to this not being contrary to the public interest of the United States, enter into discussions with the Postmaster-General in order to determine whether such a cable can be so planned, with any necessary branches and extensions, as to include provision for capacity requirements between the United States and United Kingdom without their being routed through continental Europe.

(c) Similarly, it will (subject as stated in sub-paragraph (b)), enter into discussions with C.O.T.C. and the Postmaster-General to consider whether provision should be made for capacity requirements between Canada and the United Kingdom.

(d) If such an arrangement proves feasible and desirable the Company will enter into negotiations with the party or parties desiring to participate therein to formulate the plan in detail and to settle the arrangement therefor.

The parties jointly and severally recognize that in planning for additional capacity under the foregoing provisions, due consideration should be given to the possibility of eliminating payments from one party to another for capital and annual costs.

14. (a) This Agreement shall (subject to paragraph 22) have effect on the day and year first above written and shall continue in operation for at least an initial period of twenty-five years and shall be terminable by the Company of the Postmaster-General by not less than two years' notice in writing to the other parties expiring at the end of the initial period or at any time thereafter; provided that C.O.T.C. may terminate its participation in this Agreement by

the like notice expiring as aforesaid. Termination by any means of this Agreement shall not determine sub-paragraphs (b) and (c) of this paragraph or prejudice the operation or effect thereof.

(b) The interest of the parties in any part of the cable system which come to an end by reason of the termination by any means of this Agreement shall be deemed to continue for as long as is necessary for effectuating the purposes of sub-paragraph (c) of this paragraph, and the parts of the cable system in which such interests existed shall accordingly thereafter be held as respects such interests upon the appropriate trusts by the parties who are the owners thereof.

(c) On the termination of this Agreement the parties shall use their best endeavours to liquidate every part of the cable system within a reasonable time by sale or other disposition between the parties or any of them or by sale to other bodies or persons, but no sale or disposition shall be effected except by agreement between the parties who have or are deemed to have interests in the subject thereof. The net proceeds of every sale or disposition shall be divided between the parties who had or were deemed to have interests in the subject thereof (other than the parties or party, if any, paying the proceeds) in the proportions in which the parties receiving the net proceeds contributed to the capital cost of the subject of said sale or disposition. For this purpose the contribution of a party shall be the net total of payments made less payments received, pursuant to the provisions of sub-paragraph 5(a), (c) and (d), plus any lump sum rental payments made pursuant to the provisions of Paragraph 8 (or, in the case of periodic rental payments pursuant to Paragraph 8, the portion thereof which represents contribution to capital cost) less any such lump sum rental payments (or portion of said periodic rental payments) received.

(d) If C.O.T.C. shall terminate its participation in this Agreement as aforesaid, C.O.T.C. shall sell and the other parties, or such one or more of them as they shall decide, shall purchase each of C.O.T.C.'s interests in or in respect of the cable system (other than its voting rights under sub-paragraph 5(b)) at such price and on such terms as shall be agreed between C.O.T.C. and the purchasing party or parties in respect of that interest. The purchases of all such interests shall be completed on, or as soon as may be after, the date of such termination; and thereafter obligations in respect of such interests imposed on C.O.T.C. by this Agreement, so far as they continue, shall be binding on and performed by the purchasing party or parties. C.O.T.C. and the other parties or those of them concerned shall execute such documents and do all such things as shall be necessary for the purpose of vesting title in the purchasing party or parties. Immediately on completion of the purchases and delivery of all documents as aforesaid, the voting rights of C.O.T.C. under sub-paragraph 5(b) shall without further assurance vest in and thereafter be exercisable by the Postmaster-General.

15. The relationship between or among the parties hereto shall not be that of partners and nothing herein contained shall be deemed to constitute a partnership between them, and the common enterprise among the parties shall be limited to the express provisions of this Agreement. In making available for the purposes of the cable system facilities in which it has an interest and in rendering services and in otherwise acting as provided in this Agreement, Eastern will act as an independent contractor and not as the agent of any other party. The Company shall be responsible to the Postmaster-General and C.O.T.C. for the proper performance by Eastern of its obligations under the provisions of this Agreement.

16. The performance of this Agreement by the parties is contingent upon the obtaining and continuance of such approvals, consents, governmental

authorizations, licences and permits as may be required or be deemed necessary by the parties and be satisfactory to them and the parties shall use their best endeavours to obtain and continue such approvals, consents, authorizations, licences and permits. A party applying for any such approval, consent, authorization, licence or permit in respect of any part of the cable system shall permit and afford every facility to any other party that has or will have an ownership share in that part under paragraph 5 to join in the application and become a joint recipient of the grant.

17. Each of the parties hereto hereby specifically reserves, and is granted by each of the other parties, in any action, arbitration or other proceeding between the parties or any of them in a country other than that party's own country, the right of privilege, in accordance with the laws of that party's own country, with respect to any document or communication as respects which privilege could be claimed or asserted by that party in accordance with those laws, and such privilege, whatever may be its nature and whenever it be claimed or asserted, shall be allowed to that party as it would be allowed if the action, arbitration or other proceeding had been brought in a court of, or before an arbitrator in, the United Kingdom of Great Britain and Northern Ireland where that party is the Postmaster-General, or, where that party is not the Postmaster-General, the country to which that party owes allegiance.

18. The marginal titles do not form part of this Agreement and shall not have any effect on the interpretation thereof.

19. (a) This Agreement shall be executed in quadruplicate and each part thereof when so executed and delivered shall be an original; and such parts shall together (as well as separately) constitute one and the same instrument.

(b) If any difference (not being a difference under paragraph 12) shall arise between the parties or any of them respecting the interpretation or effect of this Agreement or any part or provision thereof or their rights and liabilities thereunder, and by reason thereof the question shall require to be decided by what municipal or national law this Agreement or such part or provision thereof is governed, the following facts shall be excluded from consideration, namely, that this Agreement contains paragraph 22 thereof, that it was made in a particular country and that it may appear by reason of its form, style, language or otherwise to have been drawn preponderantly with reference to a particular system of municipal or national law; the intention of the parties being that the said facts shall be regarded by the parties and in all courts and tribunals wherever situate as irrelevant to the question aforesaid and to the decision thereof.

20. This Agreement and any of the provisions hereof may be altered or added to by any other agreement in writing signed by a duly authorized person on behalf of each party.

21. No member of the United Kingdom House of Commons or of the Senate or the House of Commons of Northern Ireland or of the House of Commons of Canada shall be admitted to any share or part of this contract or to any benefit to arise therefrom (see House of Commons (Disqualification) Acts, 1782 and 1801, Government of Ireland Act, 1920, and House of Commons Disqualification (Declaration of Law) Act, 1931; see also revised Statutes of Canada, 1952, Chapter 249).

22. (a) It is a condition of this contract that it shall not be binding until it has been approved of by a resolution of the United Kingdom House of Commons.

(b) Until such approval shall have been given, any party hereto is free to withdraw from this Agreement without any obligation hereunder to any other party or parties.

IN WITNESS WHEREOF the Postmaster-General has hereunto set his hand and seal and in his corporate capacity his official seal and the Company, C.O.T.C. and Eastern have severally caused these presents to be subscribed in their names and behalf by their respective officers thereunto duly authorized.

SIGNED, SEALED AND DELIVERED by
Her Majesty's Postmaster-General
in his corporate and ministerial
non-corporate capacities in the
presence of

(Sgd) D. E. MITCHELL
General Post Office,
Headquarters,
London
Civil Servant.

(Sgd) DE LA WARR (SEAL)

Her Majesty's
Postmaster-General (SEAL)

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

(SEAL)

By (Sgd) CELO F. CRAIG
President.

Witness:

(Sgd) S. WHITNEY LANDON
Secretary.

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

(SEAL)

By (Sgd) D. F. BOWIE
President.

Witness:

(Sgd) B. E. BERINI

By (Sgd) R. J. CASSIDY
Secretary-Treasurer.

EASTERN TELEPHONE AND TELEGRAPH COMPANY

(SEAL)

By (Sgd) W. G. THOMPSON
President.

Witness:

(Sgd) ERNEST D. NORTH
Secretary.

